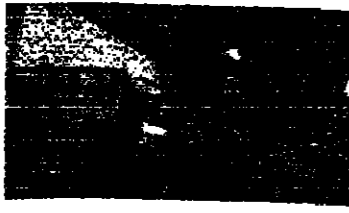


# FINANCIAL TIMES



**Nanotechnology**  
Make it small  
Technology, Page 10

**LAX**  
Fighting over the spoils  
Page 6



**Japan**  
Savings surfeit stifles recovery  
Martin Wolf, Page 16



**World shipping**  
Liberalisation drive falters  
Survey, Page 11-13

World Business Newspaper

TUESDAY JUNE 4 1996

## Juppé promises cuts in French tax and spending

French prime minister Alain Juppé pledged to cut income tax progressively over five years and to spread the burden of France's costly welfare system more widely. He said the plan would involve lowering all income tax brackets, creating a new universal health insurance charge and reforming the "professional tax", levied on companies' wage bills and investments. Page 18

**Index suggests strong growth for US:** The US index of leading indicators rose for the third consecutive month in April, suggesting the economy will grow robustly in coming months. Page 5

**Spain targets public works for cuts:** New public works contracts will bear the brunt of spending cuts totalling Ptas200bn (\$1.56bn) by Spain's new centre-right government. Madrid is seeking to get back on track to meet the Maastricht criteria for the European single currency. Page 3; Dames join Euz elite on budget deficits. Page 2

**UK cleared to join arms agency:** French and German leaders gave the go-ahead for Britain to join their new joint arms procurement agency, UK defence secretary Michael Portillo said. Page 2

**German insolvencies rise:** The number of corporate insolvencies in Germany increased 14.1 per cent in the first quarter this year, compared with the same period in 1995. Page 2

**Dalgety issues profits warning:** Dalgety made the first BSE-related profits warning by a large UK public company since the EU banned exports of British beef in late March. In addition, a neurological disease in Dutch cats has also hit its profits. Page 19; Minister opens full defence of BSE measures. Page 8

**Crédit Foncier investors may rebel:** Minority shareholders in property bank Crédit Foncier de France, concerned at large losses reported in the provisional 1996 accounts, believe they may have amassed enough voting power to block approval of the group's accounts at its annual general meeting. Page 19

## Awards for FT journalists

John Plender, a senior feature and leader writer for the Financial Times, and Tim Laxton, a freelance journalist, were last night commended in the British Media Award, presented by the Foreign Press Association in London, for their joint article on Maitre Churchill's nuclear links with Iraq. The main award, sponsored by Mercury Communications for the best foreign story by a UK journalist based overseas, was won by Robert Fisk of The Independent for a series of articles on Algeria.

**Mobil reorganises top management:** Mobil, the leading US energy multinational, announced a top management shake-out intended to complement the deep-seated operational restructuring under way in the group. Page 19

**Poll boosts Yeltsin's hopes:** President Boris Yeltsin's bid for re-election received a psychological boost yesterday when an opinion poll with a reputation for independence put him on par with his Communist rival. Page 2; Yeltsin ally voted out. Page 18

**HK shipping chief may seek top post:** Aiping magazine Tung Chee-hwa resigned from Hong Kong's executive council, fuelling speculation that he will compete for the job of chief executive of the colony after his handover to China next year. Page 7

**Ideological rift at UN conference:** The ideological battle lines at the opening sessions of the United Nations' conference on urban development fell between western countries and mainly Islamic and Asian countries alarmed by demands which they see as undermining development. Page 4

**Venezuela agrees IMF deal:** Venezuela agreed a memorandum of understanding with the International Monetary Fund over economic stabilisation, paving the way for final approval of a \$1.4bn standby loan later this month. Page 5

**Lisbon scores own goal on soccer tax:** Portugal's finance ministry was forced to announce that finance minister Antonio Costa would stay at his post after reports that he had offered to resign in protest over a scheme to relieve football clubs of tax arrears. Page 3

**Canova statue found:** A statue of Cupid by Antonio Canova was found discarded in a west of England garden. It is expected to fetch at least £1m (\$1.52m) at auction.

STOCK MARKET INDICES		GOLD	
New York S&P 500	5,828.05 (-16.53)	New York COMEX	339.6 (394.4)
Dow Jones Ind. Av.	5,828.05 (-16.53)	(Avg)	339.6 (394.4)
NASDAQ Composite	1,242.1 (-1.9)		
Europe			
FT-SE 100	2,582.83 (-9.97)		
Nikkei	21,581.52 (-367.67)		
US LIBOR/TREASURY RATES		DOLLAR	
3-mth Treasury Bill	5.12%	New York 1-month	5.12%
6-mth Treasury Bill	5.12%	3-month	5.12%
12-mth Treasury Bill	5.12%	6-month	5.12%
3-mth Eurodollar	5.12%	9-month	5.12%
6-mth Eurodollar	5.12%	12-month	5.12%
12-mth Eurodollar	5.12%		
OTHER RATES		STERLING	
UK 3-mth Interbank	6.5%	New York 1-month	5.12%
UK 10 yr Govt	6.5%	3-month	5.12%
France 10 yr Govt	6.5%	6-month	5.12%
Germany 10 yr Govt	6.5%	9-month	5.12%
Japan 10 yr Govt	6.5%	12-month	5.12%
NORTH SEA OIL (Average)			
Brent Dated	\$18.25 (18.10)		

## Deal with US follows pressure from France

# Europe secures greater role in Nato operations

By Bruce Clark in Berlin

The US yesterday agreed to give its European allies in Nato a greater role in organising military operations, but differences over the long-term future of European defence remained. In a hard-won compromise at a Nato foreign ministers' meeting in Berlin, the US conceded that its European allies should enjoy "political control and strategic direction" of missions they run. Under the agreement, Nato may supply military forces and equipment to the 16-nation Western European Union, the defence grouping emerging as the security arm of the European Union. But it was also agreed that the use of Nato forces in operations would need approval from all 16 members of the Atlantic alliance, and the US-led bloc would "keep under review" the way its assets were being deployed.

Mr Warren Christopher, the US secretary of state, called the agreement an "important change", leading to "a Nato in which the Europeans can take greater responsibility if they want to". France, the strongest advocate of European self-sufficiency in defence, hailed as a victory the removal of a clause that would

have entitled Nato to "oversee" or "supervise" European-only operations. Mr Hervé de Charette, France's foreign minister, also described as "historic" the agreement to identify headquarters and command structures within Nato that could be used for European-only operations. But he made clear that France, which pledged six months ago to move closer to Nato's military wing, would not fully rejoin the alliance's military structure until it was certain that Nato reform was under way and irreversible. Mr de Charette described yesterday's agreement as a first step towards fulfilment of France's ambition to equip Europe with the capacity to project military power and mount a wide range of operations by 2000.

However, Mr Malcolm Rifkind, the UK foreign secretary, laid out a more modest agenda for WEU operations, saying Nato assets would "occasionally" be used by the European defence club for low-level military tasks. "I don't see any serious possibility that the WEU could be suitable to carry out a serious, combat-related task," he said. Mr Rifkind said the WEU's role would be concentrated on missions of humanitarian relief,

search-and-rescue and low-intensity peacekeeping missions. Nato officials also stressed that the use of the alliance's equipment for WEU operations would be the exception rather than the rule. Aides to Mr Christopher said the US would usually want to be directly engaged in handling any serious security problems that arose in Europe. "The US will continue to be involved in all the crises Nato will face in the future," said Mr Nicholas Burns, the State Department spokesman. "The US considers itself to be a European power."

Mr de Charette hinted strongly that France had extracted concessions from the US by threatening to block Nato enlargement - a proposal strongly backed by the State Department and Pentagon. "I don't see how enlargement could progress on the basis of a rejection of France's proposals," he said. The French minister wants the appointment of a European deputy to the US general who commands Nato forces in Europe. However, this proposal, which has also been floated by some British officials, is viewed with suspicion by General George Joulwan, the Nato commander in Europe.



Palestinian leader Yasser Arafat (centre) arrived in London on the first day of his two-day visit to the UK where he will hold talks with prime minister John Major. Pressure on Netanyahu, Page 18

## UK steps up veto policy in EU over beef ban

By Caroline Southey and Lionel Barber in Luxembourg and James Blitz in London

The UK stepped up its campaign of non-co-operation in the European Union yesterday, blocking eight ministerial decisions including measures to combat fraud and racism.

The British vetoes came just before a meeting of EU farm ministers to consider a partial lifting of the export ban on British beef. UK hopes that the embargo would be eased rose as Spain said it would vote in favour, leaving Germany leading six countries opposed to lifting the ban. Mrs Loyola de Palacio, the Spanish farm minister, said she had been won over by the document tabled by Mr Douglas Hogg, the agriculture minister, on measures the UK is taking to eradicate mad cow disease.

The vote on lifting the ban on beef by-products - gelatine, tallow and semen - turned on the intentions of Belgium, Luxembourg and the Netherlands. The European Commission hoped that it could muster the necessary qualified majority to ease the ban. The UK's policy of non-co-operation is widely viewed as complicating its effort to win support for a phased lifting of the embargo. Mr Malcolm Rifkind, foreign secretary, will today begin a tour of European capitals to present the UK case.

Mr Ivan Yates, the Irish agriculture minister, warned that Britain's stance could backfire. "It must get to the point where the resistance from continental member states is that they get as bloody-minded as the British."

Mr Karel van Miert, the Belgian competition commissioner, described UK policy as "completely idiotic". Mr Kenneth Clarke, the chancellor, blocked three decisions at the meeting of EU finance ministers: a draft response to Lebanon on financial assistance; support for the Bosnian elections; and an initiative for EU fraud inspectors to carry out spot-checks in mem-

Continued on Page 18  
Feature, Page 17  
Minister opens defence, Page 8

## Japanese mortgage lender fails with \$3bn debts

By Gerard Baker in Tokyo

Another large Japanese financial institution collapsed yesterday under a pile of bad debts, highlighting the continuing fragility of the country's banking system. Shin Kyoto Shinpan, a consumer finance company based in Kyoto, filed for bankruptcy with debts of ¥350bn (\$3.23bn). The news upset financial markets, reawakening fears of a chain of failures at smaller banks and financial institutions.

It was the seventh-biggest bankruptcy in postwar Japanese history and the eighth big financial institution to collapse in less than 18 months. Bank of Japan officials attempted to play down the significance of the failure, pointing out that most of the compa-

## Eighth financial institution to collapse in 18 months

ny's creditors were the much larger and stronger national banks, not the deeply-troubled second-tier regional banks and credit associations. But the collapse will focus attention again on the poor health of the so-called "non-bank" financial sector. It comprises several hundred institutions - such as Shin Kyoto - that undertook a range of risky lending and other activities during the bubble economy of the late 1980s.

These companies derive their funds entirely from other financial institutions. They have virtually no depositors and very little capital. Thus, if they fail, the losses can be very high and must be borne entirely by their credi-

tor banks, to which the non-banks are often closely tied. Shin Kyoto's main creditors are Nippon Credit Bank, Sanwa Bank, Industrial Bank of Japan and Hokkaido Takushoku Bank - all among the country's 20 biggest banks. The sums involved for each bank are relatively small, but the wider concern about cumulative problems in the financial system was reflected in heavy selling of all bank shares on the Tokyo stock exchange.

Several leading banks saw their share prices fall by up to 3 per cent yesterday, and the Nikkei index of 225 leading stocks closed down 367.7 points, or 1.7 per cent, at 21,588. Shin Kyoto specialised in the

company under a pile of guarantees and had loans. Two-thirds of the company's debts are related to guarantees. The company grew rapidly in the late 1980s as property prices in the Kyoto and Osaka region soared and a growing number of house buyers rushed to cash in on the rising market. But with the collapse of land values in the last five years, mortgage defaults increased sharply, gradually submerging

the company under a pile of guarantees and had loans. Two-thirds of the company's debts are related to guarantees. The company grew rapidly in the late 1980s as property prices in the Kyoto and Osaka region soared and a growing number of house buyers rushed to cash in on the rising market. But with the collapse of land values in the last five years, mortgage defaults increased sharply, gradually submerging

## Athens attacked for work on Bosnian Serb telecom project

By Kerin Hope in Athens and Harriet Martin in Sarajevo

Greece's state telecoms company, OTE, is designing a DM400,000 (\$263,000) telecommunications network for the self-styled Serb "republic" in Bosnia that would provide civilian and military links with Belgrade but none with the rest of Bosnia-Herzegovina. OTE will pay for the plan, which was requested by the Bosnian Serb PTT, the telecommunications authority. It has no connection with a European Bank for Reconstruction and Development \$80m reconstruction project for the whole of Bosnia's devastated telecoms network.

Mr Carl Bildt, the international community's representative in Bosnia, is understood to have protested to the Greek government about OTE's plan. Reconstruction officials say the involvement of OTE with the Serbs is against the spirit - though not the letter - of the

Dayton peace agreement as all aid under the reconstruction programme agreed at Dayton is geared towards reintegration of the country.

OTE said the company was working "in accordance with the terms of the Dayton accord. For instance, we refused the Bosnians' request to help them get an international dialling prefix on the grounds that that amounted to separatism". But OTE's involvement with the Bosnian Serb PTT is an embarrassment for Mr Costas Simitis, the Greek prime minister. Mr Simitis has been trying to overcome Greece's pro-Serbian image and build a constructive policy in the Balkans.

OTE's board of directors approved the project despite objections from several members that it was not among priorities outlined to potential investors when 8 per cent of OTE was listed on the Athens stock exchange in March in the first flotation of a Greek utility. One Athens-based consultant

said: "The Bosnian Serb PTT is in bad shape because most of their senior technical people have emigrated. The people left behind feel they can trust their friends from OTE to fill the gap and design a system that will be secure and independent from the rest of the country."

OTE's plan would cover renewal of the Bosnian Serbs' fixed-wire network, including construction of two fibre-optic cable links between Pale and Banja Luka and Belgrade, mobile telephony and a satellite link for international calls.

Meanwhile, Hellascom, a joint venture between OTE and two of its main suppliers, is one of six groups that have expressed interest in setting up a GSM mobile telephone network for the Bosnian Serbs, a project that would be privately financed. The EBRD is encouraging cellular telephony projects as a short-term measure in Bosnia-Herzegovina where some 30 per cent of the fixed-wire network has been destroyed.

CONTENTS	
News	2-3
European News	2-3
International News	4
Asia-Pacific News	7
American News	8
World Trade News	8
UK News	8
People	10
Weather	10
Arts	15
Amo Guide	15
Crossword	27
Companies & Finance	19
UK	24-25
International	20-23
Int. Cap Mkts	28
Markets	27
Commodities	27
FT Activities	34
FUSPA Wid Index	38
Foreign Exchanges	39
Gold Markets	37
Int. Bond Service	28
Managed Funds	22-23
Money Markets	23
Recent Issues	38
Share Information	30-31
London SE	34
Wall Street	35-38
Bourse	35-38
Survey	35-38
World Shipping	

IF A **TREE** SURGEON  
WANTS TO **BRANCH** OUT  
WE'LL GIVE HIM ROOM  
TO **GROW.**

CINVen / INDEPENDENT / VISION

CINVen Limited is registered by MIPD

NEWS: EUROPE

# Havel tries to broker new coalition

By Vincent Boland in Prague

President Václav Havel yesterday met leaders of the four main Czech political parties in an attempt to break the stalemate created by an inconclusive general election.

He said it would be "optimal" for Mr Václav Klaus's outgoing coalition, which lost its majority, to try to form a new government. But, hinting at the compromises now facing political leaders, he said such a task would be "unthinkable" without opposition support.

The political deadlock caused share prices to tumble

and the currency to fluctuate sharply as investors took fright at the prospect of weeks of instability in a country vaulted until the weekend for the predictability of its politics.

Mr Klaus's three-party centre-right coalition won 99 seats in the 200-member parliament, 13 fewer than in the previous parliament, in spite of gaining more votes. The opposition Social Democrats (CSSD) won 61 seats (24 previously), the far-left Communists 22 (35) and far-right Republicans 18 (14).

Mr Havel said the CSSD's co-operation would be essential in the formation of any new

government. But Mr Miloš Zeman, its leader, was still withholding his support yesterday. After meeting the president he said a new government led by Mr Klaus "would not be in the best interests of the country". The deep animosity between the two men has led to speculation that Mr Zeman will only support a centre-right government if Mr Klaus is not premier.

The Prague bourse's FX 50 index closed more than 4 per cent lower yesterday mainly on selling pressure from domestic investors. The koruna tumbled nearly 2 per cent against the

US dollar and the D-Mark in early trading but recovered later.

Banking shares were hit particularly, with Komerční banka, the leading commercial bank, falling more than 10 per cent as investors feared that plans to cut the state's large stake were now on indefinite hold. SPT Telecom, which is majority state-owned, fell 8 per cent.

Share prices and the currency had been stable before the election on the widely-held assumption that Mr Klaus would secure a new majority. Analysts said the inconclusive

outcome was "the worst result possible" from the election. The koruna, already drifting as the country's trade deficit widens, was vulnerable to selling pressure, they said.

Bankers expressed the view that the prospect of a new government without Mr Klaus at its helm would damage the Czech Republic in the eyes of foreign investors, at least initially. "There would be much more caution among portfolio investors, but it would not necessarily matter to industrial investors," said Mr Zdeněk Bakala, chairman of the investment bank Patria Finance.

Intensive negotiations are expected to begin this week on forming a new government, with Mr Havel playing a crucial mediating role. "It is within our capabilities to reach a consensus but it requires further negotiations," he said.

The president added that as soon as the government tendered its resignation he "will ask a person to form a government and name him prime minister". He quashed speculation that he might create an interim technocratic government before calling a new election. "I don't consider that a good solution," he said.

## EUROPEAN NEWS DIGEST

# Nastase behind in mayoral race

Opposition mayoral candidates appeared to be in the lead in several Romanian cities, including Bucharest, last night as partial, unofficial results from Sunday's first round of local elections began to trickle in.

In Bucharest, unofficial polls suggested Mr Victor Ciorbea, the candidate of the Democratic Convention (CDR), the main opposition group, had a commanding lead over Mr Ilie Nastase, the former tennis star, running for the governing Party of Social Democracy (PDSR). But in the Transylvanian city of Cluj, the extreme nationalist Mr George Funar, leader of the PDSR's junior coalition partner, was reported to be leading the CDR candidate. The CDR won local elections four years ago but then lost narrowly to the PDSR in the 1992 general elections. The PDSR, which did not exist at the time of the last local polls, hopes to win Bucharest and some cities to boost its chances in this autumn's general election. However, turnout was so low that voting could go to three rounds in some areas.

Virginia Marsh, Budapest

# Croatia given human rights list

The Council of Europe will set Croatia five conditions on democracy, human rights and co-operation with the Yugoslav peace process for admission to the organisation, the organisation said yesterday.

It said the 38-nation council, which promotes democracy and human rights in Europe, would today approve a note setting terms for Croatia's membership.

The document, to be sent to Zagreb tomorrow, calls for steps "as rapidly as possible" on all five questions before Croatia can be admitted. The council froze the process on May 14 in protest at actions by President Franjo Tuđman. Croatia is called on to co-operate with the international tribunal on war crimes in former Yugoslavia; to facilitate free elections in Bosnia, particularly in Mostar; to allow the return of Serb refugees to Croatia; to drop prosecutions against independent news media; and allow the election of a mayor of Zagreb by the opposition-dominated city council.

Reuter, Strasbourg

# French video promotion dispute

Two video production companies said yesterday they had lodged formal complaints with the French and European competition organisations concerning allegations of preferential advertising rates offered to subsidiaries of the country's leading television stations.

Citel Vidéo and Editions Montparnasse said the policies adopted by the commercial station TF1 and the two public channels France 2 and France 3 discriminated against independent producers in the promotion of the broadcasters' own video companies.

The two companies argue the rates being offered to TV station-owned rivals were devoid of any business logic, claiming the cost at commercial rates of the advertising airtime being given to the products was far beyond their financial resources. They said TF1 Vidéo had received advertising slots on TF1 worth FF1150m last year, during which time it had a turnover of just FF340m, while France Télévision Distribution, owned by France 2, had received slots on France 2 worth FF226m, the equivalent of its annual turnover.

Andrew Jack, Paris

# Belgian power utility targeted

The European Commission has written to the electricity utility, Electrabel, Belgium's largest company by market capitalisation, telling it to modify recently re-negotiated long-term contracts with the country's municipalities.

Mr Karel Van Miert, competition commissioner, told Electrabel, which supplies 92 per cent of Belgian electricity, he had "serious concerns" the contracts would prevent new competitors entering the market.

The contracts have recently been prolonged to 30 years, including what the Commission called an "almost exclusive" obligation to Electrabel. In return, municipal distribution companies were allowed to buy stakes in Electrabel, totalling 5 per cent. The commissioner has given Electrabel one month to come up with suggested changes to the contracts.

Electrabel said it would respond to Mr Van Miert's request by putting its own case. It said the contracts were not binding, and since it did not have a legally-guaranteed monopoly, the Belgian electricity market was more open to competition than the markets of many EU states.

Ned Buckley, Brussels

# EU works council for Toyota

Toyota, the Japanese car company, has agreed to create a European consultative works council for its 4,500 employees in Germany, the UK and Belgium. Mr Tatsuo Takahashi, the company's marketing and engineering managing director in Europe, said the new body would help Toyota to develop "mutual understanding and trust" with its workforce.

It was negotiated with the European Metalworkers' Federation to comply with the European Union's works council directive that will come into legal force across Europe, except in the UK, on September 22. The company stressed that the forum, which will start next month, would not duplicate or substitute its current systems of consultation at local plant level.

Robert Taylor, London

# Shooting on Cyprus 'green line'

Turkish troops shot dead an unarmed Greek Cypriot soldier yesterday in a UN-controlled buffer zone dividing Nicosia, the capital of Cyprus, Cypriot military officials said.

The 19-year-old soldier was shot twice, a defence ministry official said. "He entered the buffer zone and started talking to a Turkish soldier - another Turkish soldier close by shot him," the official said. The incident on the "green line" dividing the island came on the day a British diplomat, Sir David Hannay, was due to arrive in a fresh effort to work towards a Cyprus settlement. Turkey has some 30,000 troops in northern Cyprus, which it seized during an invasion in July 1974.

Reuter, Nicosia

## ECONOMIC WATCH

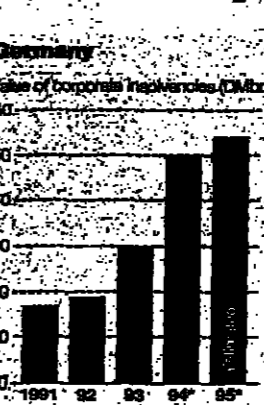
# German company failures rise

The number of corporate insolvencies in Germany increased 14.1 per cent in the first quarter this year, compared with the same period in 1995. The strong rise in insolvencies reflects the continued force of the restructuring process in eastern Germany and the severe economic downturn in the whole of the country. The Federal Statistics Office said yesterday that insolvencies had risen for the fourth year running, with 6,090 German companies either declaring bankruptcy or entering into insolvency procedures. In western Germany the number of corporate insolvencies went up by 8.6 per cent to 4,294, while in the east they increased by 33.2 per cent to 1,746. The east accounts for almost 30 per cent of all German insolvencies. The total amount of money owed to creditors has been put at about DM11bn (£7.2bn) for the whole of Germany, about DM3.4bn more than was owed at the beginning of the year.

Wolfgang Münch, Frankfurt

The Belgian industrial production index rose to 98.7 in December from 97.7 in November and was up from 94.7 a year earlier.

■ Finnish retail sales in March fell 0.1 per cent from a year earlier, with wholesale sales down 4.8 per cent year-on-year.



A Russian interior ministry soldier mounts guard over Chechens held in a detention centre near the capital, Grozny

# Chechnya shrugs off Yeltsin 'victory'

Russia's writ does not run far beyond the capital, writes Chrystia Freeland

Inside the heavily fortified Severnyy airport, headquarters of the Russian army in Chechnya, barbed wire and camouflage netting vie for space with cheerful election posters declaring that "Boris Yeltsin is the President of All Russians" and bright photographs of the smiling, bouffant-haired leader himself.

But just a few miles beyond the Russian soldiers and tanks which guard the entrance to the airport, Mr Yeltsin's slick campaign advertisements give way to a rougher brand of political agitation. Graffiti on the one remaining wall of a bombed-out barn declare: "Chechnya is a subject only of Allah." The skeletal remains of a farmer's house nearby insist: "Russian occupiers out of Chechnya!"

The contrast between the posters in the airport and the slogans in the countryside which surrounds it is a good example of the frustration which Moscow has encountered in Chechnya. Although Russian forces have nominally won control of the entire republic, in the quicksands of intense local support for the rebels the Kremlin has discovered that its victories can vanish almost as soon as its troops move on to the next village.

That is clearly the case in

won, the Russian-installed local administration has been assigned the quixotic task of persuading a people battered by Moscow's armies for 18 months to exercise their rights as Russian citizens and participate in the June 16 vote for a new Russian president.

But, in the village of Gekhi, less than an hour's drive from Grozny, the Chechen capital, locals say there will be no voting there.

"No matter what Yeltsin's marionettes in Grozny [the Russian-backed local government] say, there will be no elections here," says Mr Doku Makhaev, a bearded 41-year-old carpenter who is now the commander of separatist forces in the south-western region of Chechnya. "We will not vote for a Russian president; he is the leader of a foreign country."

Gekhi, just 3km from a Russian military checkpoint, is a good example of the frustrations which Moscow has encountered in Chechnya. Although Russian forces have nominally won control of the entire republic, in the quicksands of intense local support for the rebels the Kremlin has discovered that its victories can vanish almost as soon as its troops move on to the next village.

That is clearly the case in

Gekhi, whose openly-armed people proudly insist that Moscow, and the pro-Russian local government it has established in Grozny, have no authority over their village. Mr Said Aidamirov, the pro-independence head of the local administration, says that even the pro-Russian police force and tax inspectors are not welcome in Gekhi.

"Yesterday, the tax inspectors came to collect taxes," Mr Aidamirov said. "I told them to get out of here. As long as they are Moscow traitors, let them collect their taxes in Moscow."

As for elections, Mr Aidamirov categorically insists that there will be none. "If we hear that someone wants to commit voter fraud and pretend that there have been elections here, we will arrest him and take him to the bunkers of Banut [a Soviet-built nuclear shelter controlled by the separatists] for the duration of the war."

In Gekhi's marketplace, a ramshackle collection of kiosks on the side of the dirt road that runs through the village centre, the mood is equally adamant.

"We will never vote for Yeltsin; he is destroying us," says Mrs Zara Banaleva, a gold-toothed 43-year-old selling bread, cigarettes and soft drinks from a small booth. "I would rather kill myself than

vote for Yeltsin. Why is he killing us? Because we want to live in freedom? Is that a reason to kill someone?"

Her neighbours nod their agreement, and it quickly becomes apparent that this quiet, hillside town is wholeheartedly involved in a war which Moscow says is being waged by a handful of "criminal bandits".

Mrs Tamara Shovkhalova, whose stall is next to Mrs Banaleva's, says her husband is in the mountains fighting on the side of the rebels.

Valid, a 28-year-old man who strolled over to buy a Coke with a machine-gun casually draped across his shoulder, is himself a separatist fighter, who has come home to visit his mother for a few days and help out on the farm. Even Madina, a shy, slender, 20-year-old woman, whose head is draped in the traditional Chechen headscarf, has been fighting alongside the men in the hills and has returned to Gekhi for a few weeks to recover from a wound in her arm.

But in Grozny, in the small cluster of buildings surrounded by sand bags, barbed wire and Russian tanks which house the pro-Moscow administration, Mr Abdul-Khaim Arshakhanov, the head of the republic electoral

commission, insists that at least 85 per cent of Chechnya's 478,000 registered voters will go to the polls on June 16.

"I do not think that the fighting will impinge on the elections," insists Mr Arshakhanov, whose offices occupy the razed city's former chess club. "The other side has agents who actively give information to journalists. That is why journalists have a false impression of the situation... but, in reality, the opposition is now broken and I think that in the end they will understand that it is pointless to continue to protest."

Yet, in a sign of how deeply Moscow has alienated everyone in Chechnya, even Mr Arshakhanov, one of the small band of pro-Russian officials who are reviled as traitors by many of their own people, is fiercely critical of the Kremlin's tactics in his republic.

"I will never forgive Russia. It was barbaric. People who fought in the second world war said that neither Stalingrad nor Berlin were pounded as severely as Grozny," Mr Arshakhanov says. "But what could little Chechnya do? The slogans of independence and freedom are in the dreams of all people, but how could little Chechnya stand up to the great Russian state?"

# Polls boost president's re-election hopes

By Chrystia Freeland in Moscow

President Boris Yeltsin's bid for re-election received a psychological boost yesterday when an opinion poll with a reputation for independence put him on par with his Communist rival.

Although several other opinion polls have been predicting

a strong Yeltsin lead for the past few weeks, the Institute for Contemporary Sociology had stuck to its forecast that Mr Gennady Zyuganov, the Communist leader, would come out on top in the first round of voting on June 16.

In a new survey published yesterday, however, it predicted that Mr Yeltsin and Mr Zyuganov would tie at 36 per cent, a result which its director said would probably produce a victory for Mr Yeltsin in the run-off a few weeks later.

Despite the notorious unreliability of opinion polls in Russia, and their bias towards the incumbent, yesterday's result is significant because it means that all of the country's main pollsters now reckon Mr Yeltsin will be re-elected.

The president, who has defied concerns about his health following two heart attacks with an energetic round of public appearances, continued his vigorous campaign programme yesterday with a summit in the troubled Caucasus region designed to

burnish his image as a peacemaker.

At a meeting in the southern city of Kislovodsk, Mr Yeltsin signed a mutual co-operation accord with Russia's three neighbours in the area: Georgia, Armenia and Azerbaijan. The presidents of all three states, which have sometimes had acrimonious relations with Moscow since the collapse of the Soviet Union, publicly backed Mr Yeltsin's re-election effort.

Mr Yeltsin also insisted his government was on the way to

settling the war in Chechnya which has provided powerful political ammunition for his political opponents. Talks between Moscow and separatist fighters in Chechnya had "opened the way to a full settlement of the conflict".

A ceasefire agreement, signed amid much fanfare in the Kremlin last week, was broken just hours after it came into force over the weekend, but Russian officials in Moscow said that peace talks would begin today.

## EU finance ministers' decision suggests flexibility over the Maastricht criteria

# Danes join Emu elite on budget deficits

By Lionel Barber in Luxembourg

Denmark yesterday joined an exclusive club of European Union countries judged to meet the Maastricht treaty's targets for budget deficits, but Germany faced the embarrassment of being put on a blacklist.

The agreement on Denmark, reached by Union finance ministers meeting in Luxembourg, suggests that EU leaders will apply flexibility when judging which countries qualify for the single currency in early 1998.

The Danes trimmed their budget deficit to 1.5 per cent of gross domestic product last year, well below the Maastricht target of 3 per cent. Their debt ratio, though declining impressively, is still 71.9 per cent of GDP, well above

the target of 60 per cent of GDP.

With this in mind, Germany formally objected to allowing the Danes to join Ireland and Luxembourg on the list of countries meeting the criteria. To qualify for Emu, countries must meet or be moving at a satisfactory pace toward the Maastricht targets of 3 per cent of GDP for public deficits and 60 per cent of GDP for government debt.

Like Britain, Denmark has an opt-out from monetary union and public opinion remains sceptical about the project. Its removal from the deficit blacklist should allow the government to improve financial markets.

Mr Theo Waigel, the German finance minister, has trumpeted the need for the strictest possible interpretation of the Maastricht targets for entry into

monetary union. In addition to public deficits and debt, Maastricht stipulates low inflation and exchange rate stability for at least two years.

Germany's own fiscal position has deteriorated sharply in the past 12 months, leading to higher unemployment and a public deficit of 3.5 per cent in 1995. Germany's stock of debt is 58.1 per cent.

At the Luxembourg meeting, ministers agreed to stiffen the Maastricht provisions for enforcing budgetary discipline among Emu participants, working on German proposals for a so-called stability pact.

Germany wants EU disciplinary procedures to start automatically as soon as the 3 per cent target is breached or when a deficit "exists", but Mr Kenneth

Clarke, the UK chancellor, said the other 14 countries favoured action "when an excessive deficit persists".

Germany did gain support for time-limits for countries to put their house in order or face fines and public censure, diplomats said.

Mr Clarke said ministers had agreed to defer a decision on whether EU countries had to be members of the exchange rate mechanism for at least two years to qualify for Emu.

The British government, which took starting out of the ERM in September 1992, in company with the Italian lira, has ruled out rejoining the ERM in the lifetime of the present parliament. Mr Clarke said default kept Britain's options on Emu open. "It is game, set and match for Britain," he said.

Handwritten signature or note at the bottom of the page.

# Spain targets public works for big cuts

By David White in Madrid

New public works contracts will bear the brunt of spending cuts totalling Ptas200bn (\$1.56bn) by Spain's new centre-right government this year. The government, seeking to get back on track to meet the Maastricht criteria for the European single currency, yesterday tried to douse criticism about delays in detailing its plans and said the Ptas200bn figure, first announced more than three weeks ago, should be enough to bring public-sector accounts back on course.

Mr José Folgado, secretary of state for the budget, said he was "convinced" additional cuts in 1996 expenditure would not be needed "at least for the moment".

His statement contradicted earlier comments by Mr José Barea, head of the new budget office set up under the prime minister, Mr José María Aznar, suggesting a further cut of at least Ptas400bn would be necessary to make up a gap in the social security accounts.

Mr Folgado said declining interest rates would ease the government's financial costs, while a gradual recovery in economic growth during the year should boost tax revenues. He made clear, however, "We are not talking about a boom."

The government has forecast economic growth for the year of 2.3 per cent after a 2 per cent rate in the first quarter compared with the same period in 1995. The forecast is a full percentage point below initial forecasts made by the previous Socialist government, defeated in elections three months ago.

Mr Folgado said growth would be encouraged by a package of stimulation measures due to be announced shortly, targeted particularly at smaller companies.

He voiced the hope that the spending curbs would generate confidence in international financial markets, although he

added: "I cannot pre-judge how the markets are going to behave".

Public works and transport account for Ptas78.2bn of the cuts, or almost 40 per cent. But Mr Folgado said projects which received EU co-financing, or which were already under way, would be preserved. At the same time, the government was studying "new formulas" for bringing private investment into infrastructure projects.

Smaller cuts are planned in

## The government was studying new formulas for private investment in infrastructure

other government departments including agriculture and education, while defence spending is kept almost intact.

Meanwhile, the government has decided to block Ptas56bn of funds resulting from rebates of transfers to the EU.

The cuts are in addition to Ptas55bn lopped off departmental spending by the last government after it was forced to roll over its 1995 budget into this year.

Spain's target is to reduce its budget deficit from 5.8 per cent of gross domestic product last year to 4.4 per cent this year and 3 per cent in 1997.

Basque separatists hissed and shouted "out with the king" as the Spanish royal couple passed through the streets of Bilbao yesterday, Reuter reports from Bilbao. Four people were hurt when police fired rubber bullets at the protesters and beat them back. Police had cleared away most of the anti-monarchy demonstrators before King Juan Carlos and Queen Sofia arrived, but those remaining were able to make their protest.

# Albania's flawed poll ends in landslide

By Marianne Sullivan in Tirana

Albania's ruling Democratic party yesterday claimed it had won another six parliamentary seats in the second round of the country's general election, which has been boycotted by most opposition parties and criticised by western observers for ballot-rigging and violence against opposition parties.

Most opposition parties, including the Socialist party - the successor to the former Communist party - pulled out of the first round of elections on May 26 and did not take part in the second round, leaving the Democratic party, which claimed a sweeping 67.8 per cent victory in the first round, to face a few minor rightwing parties in run-off votes.

Some 70 Socialist party members entered their fourth day of a hunger strike yesterday, vowing not to participate in the future parliament if new elections were not called. Opposition leaders are also calling for peaceful rallies throughout Albania today to protest against the alleged ballot-rigging and the police violence.

Mr Prec Zogaj, one of the leading members of the opposition party, Democratic Alliance, said police had refused the opposition's request to hold today's rally in Tirana's Skenderbeg Square.

The six seats won by the Democratic party in Sunday's second round of elections bring their total number to 101 of the 115 directly elected. The Democrats will also win some of the 25 seats allocated by the proportional system. The party is thus expected to control substantially more than the two-thirds majority of seats needed to pass constitutional laws.

Despite widespread criticism of the May 26 elections by western observers, and calls from the European Union and the United States for partial reruns of the poll, Albanian President Sali Berisha and Democratic party chairman, Mr Tritan Shehu, insist that the elections were fair.

# Finance ministry embarrassed by scheme to help football clubs meet arrears

# Portugal scores own goal on tax

By Peter Wise in Lisbon

Portugal's finance ministry was yesterday forced to issue a statement that Mr António Sousa Franco, the finance minister, is to stay at his post after newspaper reports that he had offered to resign in protest over a scheme to relieve football clubs of their tax arrears.

Portugal's Socialist government appears to have scored an own goal with the scheme - drawn up without Mr Sousa Franco's approval - that will cost the state Es15bn (\$96m) in lost revenue.

Mr António Guterres, the prime minister, said yesterday his minority government had decided to seek parliamentary approval of the football tax scheme, backing down from pushing it

through as a decree in what appeared to be a concession in exchange for Mr Sousa Franco's support.

The manoeuvring within the six-month-old government comes at an inopportune time, only days ahead of a global offering of 22 per cent of Portugal Telecom.

Financial markets were virtually at a standstill early yesterday, awaiting clarification from Mr Sousa Franco, a respected economist.

The decision to relieve popular football clubs such as Benfica and Sporting Lisbon of their tax debts has touched a nerve in a country where national tax and social security arrears total an estimated Es1,100bn (\$7bn) - almost double the budget deficit - and Mr Sousa Franco has been directing a clampdown on widespread tax evasion.

"Businesses and individuals who struggle to pay their taxes or suffer penalties for getting into arrears feel they are getting a raw deal," said one tax consultant.

"Politicians are seen as afraid of the power of soccer clubs who spend fortunes on new players but simply ignore the tax man."

Last week the government signed a pact with the football federation under which all income from the state-run football pools system will be transferred to the soccer clubs to help them pay their tax arrears.

They had previously received only half the remainder went to charity and welfare bodies.

The government will maintain the same level of payments to the charities - in effect, losing income equivalent to

the clubs' tax arrears of Es15bn.

The Socialist initiative is the fourth government attempt in less than a decade to persuade football clubs to pay their taxes.

An unsuccessful attempt two years ago involved a threat to seize and auction assets belonging to the league champions, FC Porto.

Mr Sousa Franco, who appeared to have been surprised by the scheme, has reacted by ordering a rigorous audit of the clubs' debts. The issue highlights a split in the government between Socialist party members and independents such as Mr Sousa Franco.

Mr Daniel Bessa, another independent, resigned as economy minister in April in a row over Sunday shopping hours.

# Islamist party's no-confidence motion increases chance of early election

# Turkish MPs set up showdown vote

By John Barham in Istanbul

Turkey's parliament yesterday voted overwhelmingly to hold a no-confidence vote later this week that could bring down the three-month-old minority conservative coalition government of Mr Mesut Yilmaz.

Two thirds of the 550-member parliament voted in favour of holding the debate, in spite of a surprisingly strong showing by the Islamist opposition Refah party in local elections on Sunday. Parliament is expected to begin debating a no-confidence motion on Thursday, although the vote itself is likely to be held on Saturday.

Mr Necmettin Erbakan, Refah's

leader, said yesterday "this shows again that the public wants Refah in power. If Yilmaz insists on staying, he will be removed forcibly." Refah took 33.5 per

cent of the vote in last December's inconclusive general elections, making it the largest party in parliament. Mr Yilmaz's fractious coalition

## 'Çiller is a marked woman. She cannot be the leader of this party [True Path] from now on'

cent of the votes in 41 districts on Sunday, against 20.9 per cent for Mr Yilmaz's Motherland party which came in second.

Although only 422,000 people voted, pollsters said Refah could repeat this performance in a national election, possibly winning a parliamentary majority.

tion with Mrs Tansu Çiller's rival conservative True Path party, sealed in March, began unravelling in April after Motherland MPs supported Refah demands for parliamentary investigations into corruption allegations against her. They made no secret of their inten-

tion to prevent her taking office as prime minister in January as required under the two parties' power-sharing formula. She and Mr Yilmaz are fighting for control of the centre-right.

True Path MPs now appear to be mutinying against her leadership, following the poor results in Sunday's election. True Path took just 12 per cent of the vote. Mr Cavit Çağlar, a leading party dissident, told the newspaper Hürriyet that "Çiller is a marked woman. She cannot be the leader of this party from now on." Mr Yaşar Dedelik, a True Path cabinet minister, is also agitating against her by reportedly calling for an meeting of the party's executive board to oust her as leader.

# Polish board of sell-off fund sacked

By Christopher Bobinski in Warsaw

The Polish government was moved to head off the threat of growing disputes involving foreign participation in the country's Mass Privatisation Programme and dismissed the local supervisory board of one of the national investment funds set up under the scheme.

The move was immediately attacked by Mr Waldemar Pawlak, the head of the Polish Peasant party, the junior partner in the ruling coalition, who has often criticised the programme for giving foreigners too much influence. Under the programme, equity in around 600 state-owned companies has been handed to 15 investment funds, each run by a management company combining local interests with foreign partners, with a 10-year con-

tract. Around 13m Poles have taken up the offer of ownership certificates in the funds at a fee of 20 zlotys (\$7.50).

The government has now dismissed the supervisory board of Fund 13; the board had threatened to terminate the managerial contract of Regent Pacific, a Hong Kong-based fund manager, and Yamachi of Japan.

The board, headed by Mr Marek Bryx, recently

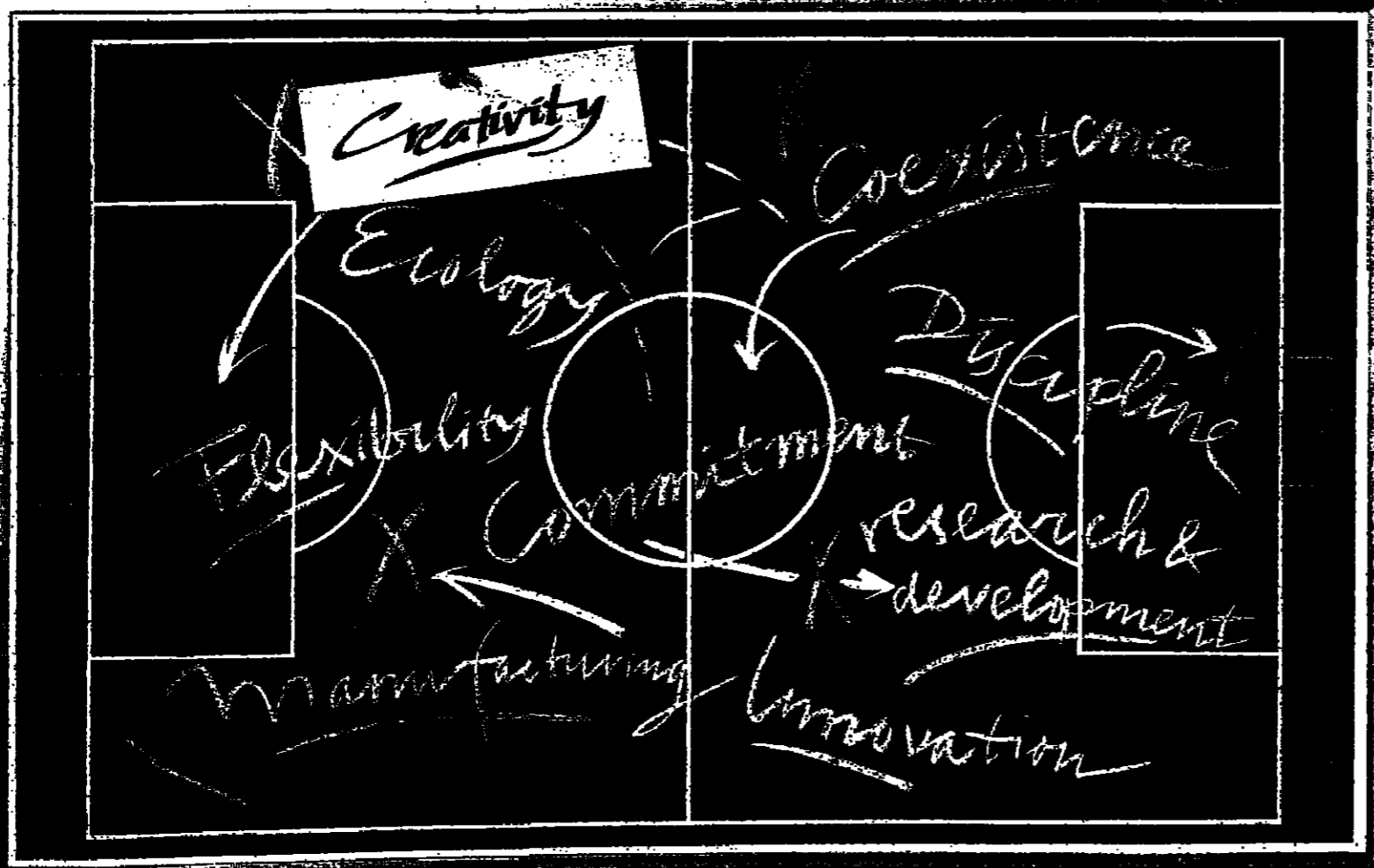
appointed to head the supervisory board of the listed Warta insurance company, had repeatedly accused the fund managers of failing to live up to their promises. Regent Pacific and Yamachi said their right to manage was being infringed by the board.

Mr Wieslaw Kaczmarek, privatisation minister, was already facing a dispute over Fund 11. In April, Wasserstein Perella and New England

Investment of the US were dismissed as managers of Fund 11 by their Polish partners - KNE Finance and Investment.

The dismissal of Fund 13's board pre-empted another dismissal of foreign managers. Talks are under way over compensation for Wasserstein Perella and New England Investment, and the quashing of the negligence charge the supervisory board used to justify the dismissal.

# OUR STRATEGY



ACHIEVING GOALS TAKES A SPECIAL MIX OF SKILLS.

PASSION AND PLANNING. INDIVIDUALISM WITHIN

TEAMWORK. NATURAL FLAIR PERFECTED

BY PRACTICE. IT'S ALL PART OF OUR

OVERALL APPROACH. TO HELP MAKE

MAJOR SPORTING EVENTS LIKE EURO 96

RUN SMOOTHER. YOUR OFFICE TOO.

SO ECOLOGY AND EFFICIENCY GO HAND

IN HAND. PRODUCTIVITY LEADS TO MORE

LEISURE TIME. PLEASURE AND PROFIT

SHARE EQUAL RIGHTS. LIFE'S A GAME.

AND EVERYONE CAN BE A WINNER. WITH

THE RIGHT STRATEGY. OURS. AND YOURS.

GET IN TOUCH. WE'LL SHOW HOW WELL WE CAN WORK TOGETHER. CANON EUROPE N.V., PO Box 2262, 1100 EG AMSTERDAM, THE NETHERLANDS. HTTP://WWW.WEBCANON.COM

Canon  
A PLEASURE TO WORK WITH

SO, TOGETHER, LET'S CARE.

NEWS: INTERNATIONAL

UNITED NATIONS CONFERENCE ON URBAN DEVELOPMENT

Battle lines drawn up on key issues

By John Barham in Istanbul

The ideological battle lines at yesterday's opening sessions of the United Nations conference on urban development fell between western countries and mainly Islamic and Asian countries...



Boutros Ghali: plan of action

Western countries are wary of a declaration that would enable individuals to sue a government for not providing housing, while developing countries say western countries should share responsibility for clearing up poverty.

Delegates said other fast growing Asian countries, together with some in the developing world, rejected adoption of principles that might interfere with their growth-oriented policies.

Islamic countries reject the emphasis on women's rights, such as demands by western development agencies they receive full property rights.

Mr Ismail Serageldin, a World Bank vice president, said "community involvement in both the planning and maintenance of urban projects is the key to their success."

Private companies were notable by their absence at the conference, especially the big European and US multinationals that are emerging as multinational corporations with operations in the developing world and the former Soviet bloc.

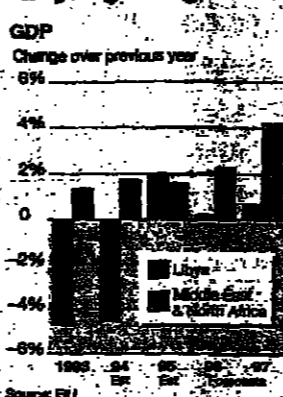
Mr Martin Rakotonirivo, assistant director of international relations at US Biotech, a New Jersey-based environmental engineering company, reports "zero" interest by conference delegates in his company, which uses biotechnology in waste disposal systems.

Libya trapped in inertia by 'curse of oil'

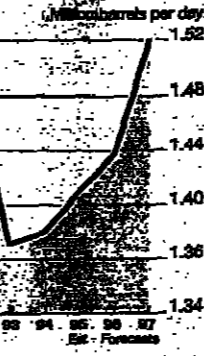
James Whittington finds an economy as much undermined by mismanaged abundance as by sanctions

Along the sandy Tunisian coast road to the Libyan border are hundreds of free marketeers who wave wads of green notes with great enthusiasm at passing traffic. Whether you are travelling in or out of Libya these are by far the safest money-changers if you need to buy or sell Libyan dinars.

Libya: getting left behind



Crude oil production



That in Tunisia - little has trickled down to the majority of the 5m Libyan nationals. "Our worst curse is our oil," said one Libyan economist privately.

While in comparison to its neighbours this may seem high - it is nearly 10 times more than Egypt and over four times

big players are nearly all European such as Italy's Eni-Agip, Spain's Repsol and France's Total. "This could change if a sanctions bill, currently being debated in the US Congress, becomes law. It is designed to strengthen sanctions on both Libya and Iran by imposing sanctions on companies developing the two countries' petrochemical sectors - including restrictions on trade and loans with the US."

The Libyans have begun to brace themselves by building up their foreign exchange reserves and imposing new restrictions on the import of

luxury goods. The European oil companies have complained bitterly about the American plans and the European Commission has threatened legal action. Meanwhile, there is as yet no sign yet of Europe's interest in Libya diminishing.

Like the oil-producing states in the Gulf, one of the consequences of Libya's oil mentality is its reliance on hundreds of thousands of migrant workers who dominate the service and construction sectors. Restaurants and hotels in the two main cities of Tripoli and Benghazi are run by Moroccans and Egyptians, while the streets are cleaned and cars washed by workers from Chad and Mali.

popular resentment, in the face of social tensions towards the end of last year, Colonel Muammer Gaddafi, the Libyan leader, threatened to expel 1m workers. Tens of thousands did in fact leave, but as with similar purges, others have since begun to fill their places.

Another familiar outcome of the country's oil wealth has been the mismanagement of government revenues. Although all new investment projects have been frozen since the sanctions, Col Gaddafi's grandiose dream to complete his great 1,000km man-made river continues to be pursued. Last month, South Korea's Dong Ah Construction Industrial Company won a \$100m contract to build the last phases of the scheme, which taps underground water from the Sahara Desert, by the year 2000.

Independent technical assessments have questioned the sustainability of the system. Nevertheless, a huge celebration is planned for September 1 this year when the taps are due to be turned on for the first time in Tripoli.

Like all big celebrations in Libya, there will be many invited foreign guests who will have to make the most of the money-changers in Tunisia.

Bahrain accuses Iran of plotting armed revolution

Bahrain yesterday accused Iran of plotting with a "terrorist" group to overthrow the Gulf state's government by force.

It was the first direct accusation of Iranian involvement in the mainly Moslem Shia-led unrest which erupted against the island state's government in December 1994.

It said it was recalling its ambassador to Tehran, Iran's capital, and downgrading diplomatic representation. "A serious conspiracy has been uncovered which reveals that an organisation known as the military wing of Hizbollah, Bahrain, together with Iranian authorities, have been plotting since early 1993 to undermine Bahrain's security and stability," the interior ministry said.

The movement's main aim is to stage an armed revolution to overthrow the Bahrain government by force and replace it with a pro-Iranian regime, the ministry added. Bahrain has shared information about the plot with its Arab allies in the Gulf and yesterday Bahrain's Emir Sheikh Isa bin Salman al-Khalifa sent envoys to other Arab states to brief their leaders.

Several Arab states have accused Iran of trying to export its 1979 Islamic revolution and supporting and financing violent Moslem militant groups. Iran has also denied these charges.

The ministry said: "The principal defendants, together with others, founded the terrorist organisation in the city of Qom in... Iran, under the guidance and with the full financial and resource backing of Iranian authorities..."

sounded alarm bells over Iran's efforts to develop weapons which the US says far exceed its defence needs. Reuter reports from Riyadh.

a western expert on Iran's re-armament plans. "The change of tone appeared to move the GCC stance closer to that of the US, the Gulf Arabs' main ally, which has accused Iran of seeking to acquire weapons of mass destruction and of sponsoring 'terrorism' abroad."

INTERNATIONAL NEWS DIGEST

'Steady flow' of Iraq smugglers

US-led multinational patrols had diverted one sanctions-busting ship trying to smuggle diesel fuel or dates from Iraq every three to four days on average so far this year, a US navy spokesman said yesterday.

He added that eight vessels, four carrying diesel fuel and four dates and fertiliser, were diverted in the past month. Some tried to escape into Iranian territorial waters, but were stopped.

So far this year 36 vessels from Iraq - which last month reached a deal with the United Nations on a partial resumption of oil exports - have been diverted for violating sanctions. Reuter, Dubai

Kaunda's top aides held

Zambian police yesterday arrested four key aides of former president Kenneth Kaunda, a day after five men were detained in connection with a series of bomb blasts, officials of Mr Kaunda's party said.

Mr Malimba Masheke, chairman of the United National Independence party (Unip), said Mr Kaunda's deputy in the party, Mr Inyambala Yeta, was among the four and that further arrests were expected. "We have received information to the effect that the government is planning to swoop on the entire leadership of the central committee of our party," Mr Masheke told a news conference. On Sunday police arrested five men in connection with recent explosions at the official residence of President Frederick Chiluba and the offices of a state-run newspaper. Police have said other suspects were at large. Reuter, Lusaka

De Klerk outlines agenda

Mr F.W. de Klerk, South African deputy president, set the agenda for his new role as opposition leader yesterday, promising President Nelson Mandela a tough fight on economic policy and post-apartheid transformation. Mr de Klerk, a member of every South African government since April 1978, said he was proud of the role his white-led National party had played in Mr Mandela's transitional government of national unity since May 1994.

But he touched on all the primary concerns of his white Afrikaner minority, which negotiated itself out of power between 1990 and 1994, when he listed the issues on which he would attack the ANC. Education, crime, affirmative action and the post-apartheid Truth and Reconciliation Commission would come under close scrutiny, he said. "The National party cited similar concerns in its successful campaign for last week's local elections in the Western Cape, the only one of nine provinces not dominated by a black African majority. Reuter, Cape Town

Moroccan siege stand-off

Moroccan riot police yesterday reinforced their siege of a trade union building in central Rabat where a sit-in by hundreds of jobless graduates demanding jobs entered its third week. Witnesses and union officials said dozens of riot police came to prevent the strikers from leaving the Rabat headquarters of the Moroccan Labour Union, where the strikers have been holed up since May 20.

More than 1,000 men and women are estimated to be packed into the three-storey building. They are crammed into every available space, including the cellar and roof, where dozens of youths could be heard yesterday chanting slogans and waving banners. The latest stand-off between the jobless graduates and police comes amid rising social discontent in Morocco. The two main trade unions have called a general strike for tomorrow to try to force the government to honour previous commitments to raise wages and respect union rights. Reuter, Rabat

Code of conduct for toy makers

By Robert Taylor in London

Representatives of the world's toy companies are to adopt a code of conduct designed to ensure products are manufactured in safe and healthy conditions. The agreement, announced yesterday, follows substantial pressure from the international trade union movement which has focused on toy making in its campaign to improve labour standards.

meeting in Brazil to back the code, which would apply to suppliers, contractors and producers as a condition for all contracts and letters of credit. The new code is based on the long-standing working practices of our members, said Mr Graham Benison, chairman of the Toy Manufacturers of Europe.

to a belief "in the fair treatment and lawful compensation of workers" and a pledge that "no forced or under-age labour would be utilised to produce toys wholly or in part. That means employees must show up for work voluntarily, not be put at risk of harm and be compensated in accordance with all applicable legislation".

that are "well ventilated and well lit", and where "no unreasonable mental or physical disciplinary practices are employed". Workers should have "adequate medical assistance in the case of emergencies".

The International Council of Toy Industries, which represents companies globally, said it had voted unanimously at a meeting in Brazil to back the code, which would apply to suppliers, contractors and producers as a condition for all contracts and letters of credit. The new code is based on the long-standing working practices of our members, said Mr Graham Benison, chairman of the Toy Manufacturers of Europe.

"It is a major achievement to have secured its adoption by the toy industry worldwide. We will continue to work hard to ensure the code is effectively enforced wherever toys are made." The code commits companies

The code adds that contracts "may be cancelled and damages assessed" if on-site inspections by the industry find the use of forced or under-age labour and dangerous working conditions. It also says toys must be made in workplaces

The code is to be translated into Chinese, "in recognition of the significant role of Chinese factories in supplying the global toy industry".

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

Table with columns for countries (USA, Japan, Germany, France, Italy, UK) and rows for various economic indicators like Money Supply, Short Interest Rate, Long Interest Rate, and Equity Market Yield. Includes sub-headers for 'UNITED STATES', 'JAPAN', 'GERMANY', 'FRANCE', 'ITALY', and 'UNITED KINGDOM'.

Advertisement for Sharp SF-2050 copier. Text: 'The Sharp SF-2050 copier. Think of it as a Porsche 911 for accountants.' Includes an image of the copier and contact information for Sharp.

# Index suggests strong growth ahead for US

By Michael Prowse in Washington

The US index of leading indicators rose for the third consecutive month in April, suggesting the economy will grow robustly in coming months.

Separately, purchasing managers reported a surge in an index measuring price pressures in manufacturing industry, and the Commerce Department announced a larger than expected gain in new construction spending.

The figures followed reports last week of a big increase in home sales that prompted speculation in financial markets that the US economy was gaining momentum faster than expected. Some analysts now predict the Federal Reserve could raise short-term interest rates at its next policy meeting in July.

The leading index is designed to predict changes in economic activity six to nine months in advance. The recent string of increases was the longest since autumn 1993, when the index gave advance warning of a surge in economic

growth in 1994 - a surge that prompted the Fed to tighten monetary policy aggressively. The index rose 0.3 per cent in April, following a revised 0.3 per cent gain in March and a 1.3 per cent leap in February.

The overall purchasing managers' index fell slightly last month to 49.3 per cent, against 50.1 per cent in April. Most economists had expected the index to rise modestly, reflecting a mild expansion of manufacturing output.

However, financial markets focused on a sharp increase in an index of inflationary pressures. The "prices paid" component rose to 50.8 per cent from 40.1 per cent in April, mainly because of increases in prices of agricultural products. This followed nine months in which price pressures, as measured by purchasing managers, had appeared to ease.

The Commerce Department said construction spending rose 1 per cent in April to a seasonally adjusted annual rate of \$65.7bn. In the first four months, construction spending averaged 5 per cent higher than in the same period last year.

# McDonnell Douglas faces strike threat

By Richard Waters in New York

The 6,700 workers in McDonnell Douglas' St Louis aircraft manufacturing plants are set to go on strike from tomorrow, marking the latest outbreak of labour unrest in the US about job security.

The members of the International Association of Machinists and Aerospace Workers voted on Sunday to reject a new four-year contract, setting the stage for a walkout.

The unrest at the plants, which make military aircraft, echoes a strike by members of the same union at Boeing late last year, as well as the dispute which brought General Motors' assembly lines in North America to a halt in March.

Each dispute has centred on

plans by employers to buy more parts from suppliers rather than make them in-house. The US's big manufacturing unions fear these moves would shift jobs to lower-paid, non-unionised workers.

The Boeing strike ended in a partial victory for the machinists when the company agreed to set limits on the extent of its out-sourcing.

Mr Jerry Oulson, head of the union's District 837 in St Louis, which represents the McDonnell Douglas workers, pointed recently to the greater job security won by the Boeing workers as a model of the assurance his members wanted. "Workers are losing thousands of jobs while McDonnell Douglas enjoys some of its highest profit levels ever," he added.

# Republican standard-bearer hopes for Senate progress on bills

# Dole seeks lift for campaign

By Jurek Martin, US Editor, in Washington

Mr Bob Dole, the presumed Republican presidential nominee, enters his last full week as a US senator with only limited hopes that it will be crowned by votes useful to his campaign for the White House.

The first order of Senate business yesterday was the start of debate on the anti-missile defence bill, which the Republicans call the Defend America Act and which is designed to revive President Reagan's "star wars" programme of the 1980s.

But its prospects have been clouded by a Congressional Budget Office report that it could end by costing as much as \$60bn to install - far more than its Republican sponsors had estimated. The CBO analysis forced the postponement

two weeks ago of a vote in the House of Representatives on the measure.

Mr Dole also intends to bring to the floor, later in the week, the proposed constitutional amendment to balance the federal budget in seven years. This passed the House last year but failed by a single vote to secure the required two-thirds majority in the Senate.

He has already virtually conceded little chance of approval this time, but hopes for maximum election mileage from a symbolic vote. Last week, a group of senior Republicans from both chambers wrote to President Bill Clinton warning that "failure to do everything in your power to win this vote would send a clear signal to the American people that you place politics above country."

Still criticised by the Senate are the elimination of the rest of the year of the 4.3 cents a gallon tax on petrol (as Mr Dole wants), an increase in the federal minimum wage (a Democratic priority), and another Republican proposal aimed at limiting the collective bargaining power of trades unions.

Two weeks ago, the House approved the first two measures, with the minimum wage vote constituting a substantial defeat for congressional conservatives. But Mr Dole had been holding out for all three to be taken as a package, partly to invite a veto from Mr Clinton. The result has been a legislative stalemate.

Mr Dole's last day in the Senate, where he has served since 1969 after eight years in the House, will probably be next Tuesday, but could be later this week, depending on Senate action. He has promised only brief farewell remarks

and said he wants no great ceremony to mark his departure.

This would be in keeping with his new campaign image as "a man of the people" rather than a Washington insider, though his colleagues in the notoriously sentimental Senate may have other ideas. So may Mr Clinton, though one of his more controversial campaign TV commercials has called Mr Dole "a quitter" for resigning his Senate seat.

The race to succeed Mr Dole as Republican leader in the Senate, a post he has held since 1984, has narrowed down to the two senators from the southern state of Mississippi, Mr Trent Lott and Mr Thad Cochran. The odds appear to favour Mr Lott, now Mr Dole's deputy, though the more moderate Mr Cochran has served in the Senate for 10 years longer.

# Venezuela agrees IMF deal

By Raymond Collitt in Caracas

Venezuela yesterday agreed a memorandum of understanding with the International Monetary Fund over its economic stabilisation and structural adjustment programme, paving the way for final approval of a \$1.4bn stand-by loan later this month.

The agreement comes over a month after Venezuela implemented a package of reform-oriented austerity measures. Mr Michel Camdessus, IMF managing director, who has met representatives of the government, industry and labour during his present three-day visit to Venezuela, endorsed the reform efforts of President Rafael Caldera's government.

He expressed confidence that the programme would produce results sooner than expected. "I have no doubt that inflation will decrease, investor confidence will be renewed and Venezuela will embark on sustainable development," said Mr Camdessus.

The planning ministry says the agreement stipulates a budget deficit of 2 per cent of GDP for 1996 (1.2 per cent for 1997), an inflation rate of 86 per cent by year-end (26.8 per cent for 1997), and economic growth of negative 1.1 per cent for this year, rising to 4 per cent for 1997.

One of the final stumbling



Concessions made: Michel Camdessus (left) of the IMF and President Rafael Caldera of Venezuela

blocks to an agreement was overcome when Venezuela agreed to IMF demands that it meet overdue debt obligations by year-end.

The Venezuelan government has further pledged to re-start its stalled privatisation programme, reform a costly severance payment system, and restructure the struggling financial sector, for which the government will receive finan-

cial aid from the Inter-American Development Bank. Provided Venezuela adheres to the established targets, it could qualify for an extended loan facility within one year, though economic authorities have indicated that the government hopes to have alleviated its fiscal problems by then.

Mr Caldera has had to renege on his pledge to resist IMF demands, but the accord is

seen as a face-saving compromise for his government.

"The IMF has ceded on a number of Venezuelan demands, such as stronger social programmes," said a senior official in the planning ministry, adding that the IMF had heeded the government's warnings of potential social unrest and agreed to a gradual increase of utility and petrol prices.

# Changes in US merger guidelines proposed

By Patti Walkmeir in Washington

The Federal Trade Commission, the US government regulatory agency, yesterday proposed changes in US merger guidelines to make it easier to justify mergers on the basis of cost savings.

Present guidelines focus more on the possible effect of mergers on price, rather than on the competitive effects of cost-savings.

Anti-trust lawyers said the new guidelines, recommended for adoption by both the FTC and the Justice Department, are unlikely to unleash many new mergers, as they broadly reflect current practice in both organisations.

Ms Janet McDavid, an anti-trust lawyer at the firm of Hogan & Hartson in Washington, said the "best staff" at both organisations already take efficiencies into account when determining whether a merger is anti-competitive. "But it's not uniform, either within the FTC or between organisations," she said.

In banking, cost savings have already been used to justify some recent mergers which have led to much consolidation. The guidelines, if adopted, "would not so much take transactions which are illegal today and make them legal, but would reduce or even eliminate the level of divestitures required" to meet FTC demands, said Mr Rodgin Cohen, a New York anti-trust lawyer, who specialises in banking mergers.

The proposed guideline changes are unlikely to have affected any of the recent high-profile mergers at which the FTC has balked, including a merger of Rite Aid and Revco, the US drug store chains, abandoned after FTC complaints, or the proposed merger of Time Warner and Turner Broadcasting System.

The 300-page report, prepared after public hearings, recommends closer scrutiny of the way mergers affect the development of new products, to ensure active competition in research and development.

# The selling of a Brazilian super-state

Angus Foster and Jonathan Wheatley assess progress of privatisation in São Paulo

It is a measure of the economic might of São Paulo state that Governor Mário Covas can talk about privatising the state's three electricity companies to pay off \$10bn of their debts, and still have \$10bn left for investment.

The Brazilian state, with an economy roughly the size of Argentina's, is home to some of the biggest power companies in the developing world. It also has 30,000km of good highways and a population, with an average annual income equivalent to more than \$4,000, which is increasingly demanding better services.

What the state government does not have is money. São Paulo generates about 40 per cent of Brazil's tax revenues but its bloated bureaucracy, and huge debts of about \$68bn, accumulated under previous governments, mean investment had to be cut last year by 80 per cent to less than \$300m - just to balance the budget.

The need to raise cash explains why Mr Covas, a long-term ally of Brazil's President Fernando Henrique Cardoso and a recent convert to

privatisation, is now keen to attract private sector investment. "The political climate and public opinion are very favourable. In the energy sector, we're further advanced than even the federal government," he said in an interview last week.

Mr Covas, who is to present

CPFL - are being unbundled so their various generating, transmission and distribution assets may be turned into new companies.

The aim is to create six generators, a transmission company and 11 distribution companies. The state is only interested in retaining control

of the transmission company, to ensure equal access for the distributors.

The biggest short-term question mark over the project lies in São Paulo's state assembly, which must approve the restructuring. Mr Covas's Social Democracy party (PSDB), which has only 26 of the 94 seats in the house, was in coalition with the Liberal Front party (PFL), which gave him a governing majority, but that ended last week.

Even so, he is confident electricity privatisation will be approved in "one or two

months. This is not a project which involves party politics. I'm sure the PFL will vote in favour in large numbers."

If approved, the first of the new companies could be ready for sale this year, but the more attractive concession areas are likely to take longer. A key question is regulation, since

superseded or absorbed into the federal government's new regulatory framework later.

"Even if the central government doesn't finish its regulations in time, we can still go ahead," Mr Zylbersztajn says.

Privatisation of highways is already under way. The plan is to sell 22 concessions to manage 5,000km of the state's best roads. Mr Covas hopes 70 per cent of the concessions will be sold during his government, which runs to the end of 1998.

Mr Plínio Assmann, São Paulo transport secretary, says private concession holders will invest 5bn Reals (\$4.5bn) in highway improvements during the first 20-year contracts. The first concession, to manage and improve a system of two parallel highways running 150km north-west from São Paulo city, should be awarded by September.

With the first contract awarded, Mr Covas hopes more will follow quickly. "It took some time to get the first concession moving because it was a new experience, but we will now run several privatisations concurrently."

# Governor Covas is keen to attract private investment: 'Political climate and public opinion are very favourable'

his privatisation plans at a seminar in London on Thursday, has plenty to be keen about. His energy secretary, Mr David Zylbersztajn, estimates that 100 potential foreign investors have paid calls in the last year, such is the potential interest in the sell-off.

Mr Zylbersztajn, who is Mr Cardoso's son-in-law as well as an electricity specialist, is overseeing a complex restructuring of the state's electricity sector to prepare for privatisation. The three existing companies - CESP, Eletropaulo and

of the transmission company, the federal government is drawing up new rules for Brazil's electricity sector, as well as for new entrants such as independent power producers.

Although regulatory uncertainty may deter some investors, as happened last month in the successful privatisation of the Rio de Janeiro distribution company, Light, Mr Zylbersztajn is sure his programme can go ahead. One option is to create golden shares to let the state set conditions on quality of service in the newly privatised companies. The shares could be

# Chileans put time at centre of education

Longer hours are seen as a lesson for other would-be reformers, writes Imogen Mark

Education systems are acknowledged to be failing across Latin America, damaging the region's ability to compete in high-value international trade and hindering social mobility.

Now, measures taken by elected governments in Chile since they took over from the military in 1990 are being held out by educational experts as pointing the way forward for the rest of the region.

Mr Alan Angell, an academic from Oxford in England, who has completed a study of Chilean reforms, argues that the failings of education systems are similar for most countries. "The Chilean experience provides a number of general lessons for would-be reformers elsewhere," he said.

According to Mr Sergio Molina, Chile's education minister, the process will be com-

pleted next year when children get an extra three hours a day at school. This will bring the average hours of schooling close to the levels of industrialised countries.

"This is the culmination of a process of reforms which we began in 1990, with changes in teaching methods, new texts, classroom libraries and computers. But we reached the conclusion that the only way to take full advantage of all this investment was to extend the school day," said Mr Molina.

Most state schools, which cater for more than 90 per cent of children, offer only a five-hour day, and teachers often work two and even three shifts.

The new timetable will demand an extra investment equivalent to \$1.4bn over the next five years, the education

ministry said. More than half the money will go for 20,000 new classrooms, but there will be extra funds to train teachers, and more teachers. There is also a plan for 40 high-performance schools in large towns for bright children from poor homes.

The extra money will come partly from savings in other parts of the budget and partly from postponing a planned reduction of a percentage point in value-added tax, the government's main source of tax revenue.

Chile has been experimenting with ways to improve schooling through a special programme part-financed by the World Bank. A bank team was in Santiago last month evaluating a 2½-year programme covering almost all 8,000 state

primary schools. Mr William Experton, the team leader, said it was impressive. He said no other country the team visited had "gone so far in changing educational practice in the classroom."

The team stressed the new access of the children to books, and the stimulus to read, as a result of providing small basic libraries in each classroom and from three to five textbooks for each child. Until now, most children in both primary and secondary state schools have had little or no access even to textbooks.

Another member of the delegation, Ms Elmelda Martinez, was struck by the achievements of one-teacher, rural schools. "These can provide a good education, contrary to the perception in much of Asia, for example". The schools are backed by a basic

health programme, with screening to catch and treat hearing and vision problems.

Bureaucracy may be a stumbling block. The school system was decentralised during the 1980s, but municipal authorities which run the schools are short of money and administrative skills. The ministry has overall responsibility for the curriculum.

An international advisory team, reporting last September, said schools were subject to competing and sometimes conflicting administrative powers.

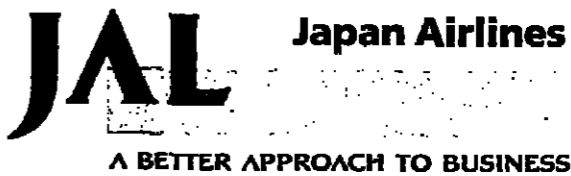
Overall spending on education is also still much too low, said Mr Alejandro Foxley, president of the Christian Democratic party. Chile is spending \$133 a head, he said, compared with an average \$1,000 in northern hemisphere countries.



The foundation of Japanese culture is modesty.

So while it's true Japan Airlines has the world's largest fleet of 747s and carries more passengers on more flights from more European cities to Japan than anyone else, we'd rather not talk about it.

Call your local JAL office, or contact your travel agent. We'll let your flight with us speak for itself.



A BETTER APPROACH TO BUSINESS

## NEWS: WORLD TRADE

## Japan backs EU role in chip negotiations

By Michio Nakamoto in Tokyo

Mr Rytaro Hashimoto, Japan's prime minister, yesterday said a dispute with the US over renewal of the bilateral semiconductor accord should be resolved with the participation of the European Union.

"The European Union has expressed its interest in participating [in the negotiations] so it is no longer a bilateral issue," Mr Hashimoto told US ambassador Walter Mondale during a meeting in Tokyo.

Mr Hashimoto's remark, which was made in response to Mr Mondale's suggestion that the two countries need to focus more on resolving bilateral trade issues, is the strongest indication so far that the Japanese government would consider a tripartite arrangement as proposed by the European Commission.

The US and Japan are at odds over whether to continue a semiconductor agreement scheduled to expire at the end of next month.

The US has interpreted the agreement as a guarantee for continuing improvement in the share of foreign semiconductor makers in the Japanese market.

The Japanese government has persistently insisted that there is no need to renew the agreement, which forces government involvement in the industry.

The EU, meanwhile, which criticises the bilateral arrangement as discriminatory, has been keen to ensure it does not

get left out of any deal between the US and Japan.

As the agreement nears its expiry date, the headline stance of the Japanese government has begun to show signs of softening.

Mr Seiichi Kajiyama, chief cabinet secretary, indicated yesterday that the Japanese government would be ready to play some role in a semiconductor agreement, provided it did not involve numerical targets.

Mr Kajiyama's comments

seem to corroborate speculation that there are moves to formulate a deal which has some kind of government involvement, as the US insists, but which steers clear of market share targets that Japanese officials find so offensive.

The Electronics Industry Association of Japan has written to the US Semiconductor Industry Association with proposals for industry-to-industry co-operation and a meeting in mid-June to discuss the possibility of a transitional three-

year period for such co-operation.

Publicly, Japan's trade ministry insists the dispute should be resolved by the industries of the two countries.

However, the ministry of international trade and industry (MITI) is also aware of criticism that its headline stance has not helped US-Japan relations. If the ministry was asked to co-operate with the industries' efforts, it was prepared to lead an ear, one official said.

## WORLD TRADE NEWS DIGEST

## GE in Russian jet engine link

General Electric of the US yesterday said it had reached an agreement with Rybinsk Motors, the struggling Russian aerospace concern, to establish a joint venture to make jet engines. Rybinsk Motors, based about 400km north of Moscow, is one of two Russian manufacturers of engines for wide-bodied aircraft. The company has cut production sharply in recent years as Russia's aviation industry has struggled to adapt to the market. Last year the Russian government sought to declare the company bankrupt and privatise the state's remaining 37 per cent stake. Management and local officials blocked the deal.

Rybinsk-GE Aviation Motors, as the joint venture will be called, also will handle marketing and servicing of the jet engines in the Russian market. AP, Moscow

## Korean Air to boost fleet size

Korean Air, South Korea's leading carrier, plans to buy 20 aircraft from Boeing and 17 from Airbus Industrie over the next five years under a programme to almost double its fleet from 105 aircraft to 200. It has placed an initial order for two A330-200 airliners from Airbus for delivery in late 1996.

Korean Air is planning to increase its capacity by 10 per cent annually. The fleet expansion reflects expected strong passenger growth, with traffic predicted to increase by 12 per cent annually over the next few years.

The Korean carrier already has one of the youngest fleets in international service, with an average age of 8.1 years. In contrast to its domestic rival Asiana, with its all-Boeing fleet, Korean Air uses a wide range of aircraft from US and European manufacturers. They include 39 Boeing 747s and 33 of the Airbus 800 series, with smaller aircraft from McDonnell Douglas and Fokker. John Burton, Seoul

## Munitions groups join forces

Two state-controlled munitions and tank manufacturers - Fiat of France and Otobreda of Italy - are to link up to build and sell 20mm gun-turrets for tanks, and to co-operate on the development of battle tanks.

Otobreda, which is part of Italy's Finmeccanica holding company, said the agreement would start with the joint marketing of its Hitfit two-man turret, and Fiat's Dragor one-man turret, which will be installed on an armoured car being developed by the French, Germans and British.

The two companies said they would also co-operate on improving Fiat's Leclerc battle tank, and Otobreda's Ariete tank, particularly in the area of on-board equipment.

Both groups are trying to restructure and forge alliances to combat US competition and reduce the fragmentation of the European industry. Last month Fiat announced it would have to reduce its 12,400-strong workforce by 2,700 by the end of 1996. Otobreda last year linked up with Wagnan of Germany to build heavy artillery and Vickers of the UK to produce light naval cannons. Andrea Hill, Milan

Iran will order 10 more oil carriers after taking delivery of the first of five 800,000-tonne oil tankers from Daewoo, the South Korean company. AFP, Tehran

South Korea's state-run Korea Land Development (Koland) has applied to build a 100 per cent foreign-owned industrial park in the Gyeongju district of Hanoi. A feasibility study carried out by Koland showed the 107-hectare park would house about 120 small and medium-sized South Korean enterprises. The companies' combined investment would be more than \$500m. Reuter, Hanoi

## LA mayor's tax plans fly into storm

Los Angeles International Airport (LAX) is potentially one of the highest-yielding cash cows in Mayor Richard Riordan's patch. But the beleaguered civic leader, who failed when he tried to privatise LAX two years ago, has now run into trouble with his efforts to milk it.

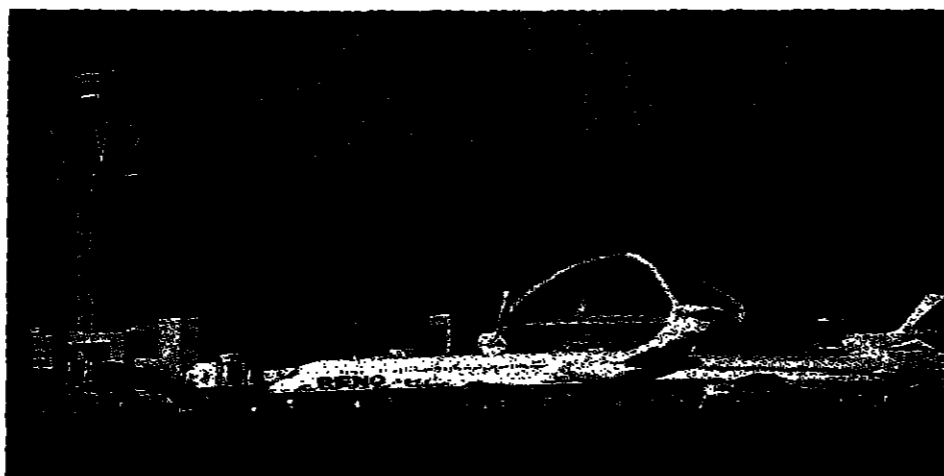
He has similar problems down the coast at the port, the main focus of the Californian trade boom which is predicted to bring 700,000 permanent jobs to the region by early next century.

Mr Riordan's budget proposal to siphon \$170m from the harbour, airport and local water and power utility to pay for extra police and public services has stalled in the face of opposition from politicians, the business lobby and academics. It has prompted legal action from the Californian state capital, and threats of punitive counters from Washington.

The sum may be small in relation to the \$4m-odd budget he is struggling to push through the city council, but the drain on the financing abilities and competitiveness of his targets - which have already handed over about \$40m since 1994 - is unsustainable, opponents say.

LA has overtaken New York as the biggest US trading port, handling goods and traffic valued at about \$190bn a year. The airport last year funnelled a record \$58bn worth of cargo through its facilities, and revenues reached a peak of \$32m.

More than a quarter of the LA metropolitan area's gross regional product depends on international trade - up from



Los Angeles International Airport: handled record \$58bn worth of cargo last year

13 per cent in 1972 - and all forecasts predict the trend will continue.

Some 17 per cent of US air cargo passes through LAX, and passenger and cargo traffic is expected to double by 2016. Los Angeles port and the facilities at neighbouring Long Beach handle a quarter of all US sea-borne trade.

These sea and air outlets, together with associated improvements to road and rail links, are the subject of expansion and upgrading projects with an aggregate budget of about \$9bn. "This represents the largest capital spending programme for trade infrastructure of any metropolitan area in the nation," according to Mr Steven Erie, a political science professor at University College San Diego.

Mr Erie, as vociferous in his support of LA's trade-based

expansion as in his opposition to Mr Riordan's projects, argues that all surpluses need to be ploughed back into these facilities.

One of the city's preliminary steps towards tapping LAX revenues - sharp increases in aircraft landing charges - made the airport "cash rich but uncompetitive", he claimed recently. Fees are double those at competing landing points in San Francisco, Phoenix and Seattle, he added.

Levies on the port, to correct underpayments in the past for fire and police protection and other city services, will force greater reliance on debt and reduce the facility's ability to finance development on a pay-as-you-go basis, Mr Erie says. Although the department of water and power has no direct link with trade, inroads into its surpluses will further damage

the regional economy, Mr Erie says. The city's demands leave no room for the department to reduce debt or match rate cuts already signalled by private sector competitors lining up for the introduction of a free market in electricity in the next few years.

Mr Riordan, a Republican constantly at loggerheads with his powerful city council, has with this revenue-raising venture mobilised opposition far beyond city limits.

The Washington-based Air Transport Association (ATA), the industry lobby group, spent more than \$350,000 on a local campaign against siphoning LAX revenues. Airport officials take the mayor's view that city services must be paid for, but they see the air carriers' point. "They are concerned that if something changes here [to release surpluses to the

city] the same thing could happen elsewhere," says one.

Although LAX is owned and operated by the city, federal law stipulates revenues may be used only for airport uses.

City hall lawyers are now working on a plan to levy a city fuel tax on airlines filling up at LAX - a notion guaranteed to bring the ATA down on the mayor's neck once again.

The state government, led by Mr Pete Wilson, a fellow Republican, has filed a suit alleging the mayor's levy on the port is illegal, contravening regulations which demand surpluses go to port-related and fisheries causes. But in spite of an outcry from the Steamship Association of Southern California, the port authority has already paid \$40m into the city's coffers in the past six months.

In retaliation, prompted by the business lobby, Washington politicians have launched initiatives to hamper the flow of federal funds for transport infrastructure development to LA and to sharpen penalties for cities which divert airport revenues.

But Mr Riordan, whose budget-balancing efforts have taken on the aura of opportunism at best and barefaced-scrapping at worst, remains steadfast.

Despite setbacks such as the council's block on his airport levy, he is preparing to fight back from his platform that LA's citizens have a right to an economic return from public investments and that the city's milk cows will be none the worse for the sacrifice.

## Employers urged to act on child workers

Employers should develop policies to eliminate all child labour and immediately "put an unconditional end to exploitative, bonded and dangerous forms" of child labour, according to the International Organisation of Employers, writes Robert Taylor, Employment Editor.

The general council of the Geneva-based body that represents employer organisations in more than 120 countries, also said yesterday it was opposed to attempts to link the issue of working children with international trade.

The organisation denounced as "counter productive" suggestions that trade sanctions should be imposed on countries where the problem of child labour existed. The council said it saw no merit in the introduction of a social clause to enforce labour standards in trade agreements and it opposed efforts to have the trade/labour link discussed at December's ministerial meeting of the WTO.

The council passed a resolution calling on companies to "encourage and work" with local and national governments to develop and implement policies designed to eliminate child labour as well as "promote access to basic education and primary healthcare, which are crucial to the success of any effort to eliminate child labour".

Christopher Parkes

## CONTRACTS &amp; TENDERS

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY  
LESOTHO HIGHLANDS WATER PROJECT - PHASE IBCONTACT LHDA 2007  
MOHALE TUNNEL

## INVITATION TO PREQUALIFY

The Lesotho Highlands Development Authority (LHDA), a parastatal body constituted under the Ministry of Natural Resources of the Government of Lesotho, is responsible for the implementation, operation and maintenance of the Lesotho Highlands Water Project (LHWP) within the boundaries of the Kingdom of Lesotho (KOL). The LHWP is a bi-national project between the KOL and the Republic of South Africa (RSA) and its purpose is to divert surplus water from the KOL to the industrial heartland of the RSA. The LHDA hereby invites prospective tenders to apply for Prequalification for Contact LHDA 2007, Mohale Tunnel, a part of the Phase IB development.

The Works will comprise approximately 32.0 km of concrete lined tunnel of excavated diameter approximately 4.6m with concrete lining thickness nominally 300 mm, associated access provisions, ventilation shafts, tunnel inlet and outlet works and other associated works. The route of the tunnel is through basalts of the Lesotho Formation occasionally intersected by dolerite dykes. It is anticipated that the excavation would be performed by two hard rock tunnel boring machines.

The estimated value of the Works in Lesotho Maloti is M650 million (US \$150 million). It is expected that financing for the contract will be provided by way of export credit financing for foreign sourced supplies and services, and commercial financing for the local portion.

Construction is programmed to commence during the last quarter of 1997 and the Works are to be commissioned for the delivery of water by 01 January 2003.

Prequalification Documents will be available from 17 June 1996 and a Prequalification Conference will be held in Lesotho on 10 July 1996. Applications for Prequalification Documents, clearly stating organisations, person responsible and title, address and contact facsimile and telephone numbers should be made in writing to the Consulting Engineers at the following address:

The Project Manager  
Lesotho Highlands Tunnel Partnership (Mohale)  
Private Bag A394  
MASERU 100  
Lesotho

Att: Mr G A Featherstone

Fax: (+266) 310 256  
Telephone: (+266) 314 685

The closing date for the receipt of completed Prequalification Documents at the offices of the Lesotho Highlands Development Authority will be 30 August 1996.

## TENDER ANNOUNCEMENT

HUNGALU Hungarian Aluminium Industrial Co. Ltd.  
(H-1024 Budapest, Margit krt. 85.)

(hereinafter referred to as the "Contracting Party" or "Hungalu Rt.") invites bids in an open, one-round tender to sell a quota of its fully owned subsidiary, ALOXID Almaszfutó Alumina Co. Ltd. (H-2931 Almaszfutó, F5 út 1.) (hereinafter referred to as "ALOXID Ltd.")

The registered capital of ALOXID Ltd.:

HUF 2.071.410 thousand

Bids may be submitted by specifying the bid price for a quota with a rounded nominal value of HUF 1.864.270 thousand, representing 90% of the registered capital of ALOXID Ltd.

A quota with a rounded nominal value of HUF 207.140 thousand, representing 10% of the registered capital, shall be separated by Hungalu Rt. from the quota representing a 100% stake, which shall, following the closing of the tender, pursuant to Act XXXIX. of 1995., be offered for sale at 50% of the accepted bid price to the employees of ALOXID Ltd., who may exercise this purchase option within 60 days from the date of publication of this offer. In the event the employees do not, or do not wish to exercise fully the option to acquire ownership in ALOXID Ltd., bidders shall be obliged to undertake to purchase the remaining quota as well on the conditions specified in their bid.

The purchase price may be paid in cash only, neither deferred payment nor payment in instalments will be accepted by the Contracting Party. Bidders may not use the E-loan facility. Foreign bidders may submit bids in which they determine the bid price in a foreign currency accepted by the National Bank of Hungary as a convertible foreign currency. Such bids shall be accepted by Hungalu Rt. at the foreign exchange purchase rate as officially quoted by the Hungarian Credit Bank (MHB) on the day corresponding to the submission deadline.

Participation in the tender is subject to purchasing, against signing a confidentiality agreement, for a purchase price of HUF 120.000 + VAT, or a corresponding convertible foreign currency amount calculated at the foreign currency buying rate quoted by the Hungarian Credit Bank (MHB) for the day of the payment of the above purchase price, the detailed invitation to tender as well as the Hungarian or English language tender documents including the Information Memorandum prepared by ALOXID Ltd. containing the major economic data deemed material to the tender. The documents referred to in the Information Memorandum are available in the Hungarian language.

The above HUF 120.000 + VAT amount, that is, altogether HUF 150.000 shall be payable in cash, or shall be transferred to the Hungalu Rt.'s account No. 10200971-20100690-00000000 kept by the Hungarian Credit Bank (Magyar Hitel Bank). The tender documentation shall be available only against presentation of a cheque or transfer certificate evidencing payment of the above amount.

The price of the tender documentation may not be reimbursed by Hungalu Rt. on no account.

The Contracting Party hereby draws the attention of the bidders to the fact that the total assets of ALOXID Ltd. are rented for the term until 28th December, 1998 + 6 months (shut-down period), and the tenant has the right of preemption.

The tender documentation shall be available at the Secretariat of the Privatisation Directorate of Hungalu Rt., in Room 419., at 85. Margit krt., Budapest, II.

from 5th June, 1996, on working days between 9 a.m. and 11 a.m.

Telephone: 36-1-175-48-19, Telefax: 36-1-175-58-02

Bidders shall, as an earnest of their bid, deposit, not later than the final date of submission of bids, a bid bond of HUF 10 million to the account No. 10200971-20100690-00000000 opened for this purpose by Hungalu Rt. with the Hungarian Credit Bank Ltd. (Magyar Hitel Bank Rt.). Bidders shall provide evidence of payment of such bid bond upon submission of their bid. Any fees or bank charges payable for the transfer of money shall be borne by the bidder effecting payment.

Bids shall be submitted personally or delivered by a person holding a power of attorney, in the presence of a Notary Public, at the above address, between 9 a.m. and 11 a.m., on the 22nd of July, 1996, in 5 Hungarian copies, in a sealed envelope which bears no name of the sender, with the original copy marked as "original". Foreign bidders may enclose an English translation to the Hungarian version of their bid, of which the latter shall be deemed as the governing version.

Envelopes shall bear the marking:

"ALOXID TENDER"

Bids shall be evaluated on the basis of the conditions set forth in the tender invitation. The Contracting Party hereby reserves the right to declare the tender unsuccessful without any legal consequences.

Bidders shall recognise and accept that the winner of the tender shall, within 30 days from the date of notification of the award, enter into a purchase agreement with Hungalu Rt., and shall, if necessary, extend the validity of its bid and the maturity of its payment securities.

Participation in the tender shall be subject to the bidder undertaking to maintain its bid for 120 days from the date of submission thereof.

Information on the tender and on major data and characteristics of ALOXID Ltd. is available at: HUNGALU Rt., Dr. Pál Szabó, Chief Executive Officer, Telephone: (36-1)-156-1846, telefax: (36-1)-175-6484.

# HK magnate may compete for top post



Mr Tung Chee-hwa: resigned from Executive Council

By Louise Lucas in Hong Kong

Mr Tung Chee-hwa, a shipping magnate, yesterday resigned from Hong Kong's Executive Council, the top advisory body to the governor, fuelling speculation that he will compete for the job of chief executive of the colony after its handover to China in 1997.

The resignation comes a fortnight after Mr Lo Tak-shing, a solicitor and also a former ExCo member, publicly declared his intention to stand for the chief executive's post.

In his resignation letter to Mr Patten, Mr Tung insisted that his decision to resign from ExCo arose because of a conflict of interest with his duties

on the Preparatory Committee, the Beijing-appointed body overseeing the handover.

Mr Tung was named vice-chairman of the Preparatory Committee in February.

The Preparatory Committee and Governor Chris Patten's government have clashed on several issues, most notably the creation of a provisional legislature that would, for a limited period, run in parallel with the existing elected legislature which China has pledged to disband immediately after the handover.

Mr Tung denied his decision was a necessary "clearing of the deck" before running for the job of chief executive of the future "special administrative

region" (SAR) of Hong Kong, as the colony will be known post-1997. However, his membership of ExCo was seen as incompatible with ambitions for the chief executive's job.

Mr Tung has never formally stated his candidacy, but in January Mr Henry Fok, an adviser commanding widespread respect in Beijing, gave him his backing. Mr Li Ka-shing, a property tycoon, has also endorsed Mr Tung, despite initial opposition to businessmen as leaders of the SAR. Both Mr Fok and Mr Li have business links with Mr Tung.

Mr Tung has been seen as one of the strongest candidates for the post - in part because of his perceived likelihood to

retain Mrs Anson Chan as chief secretary. Other possible contenders include Mrs Chan herself, although her job as

**Membership of ExCo is seen as incompatible with running for chief executive**

chief civil servant is likely to stand against her, and Mr C.Y. Leung, a businessman who is closely linked with Beijing but has been quick to deny his interest.

Several Hong Kong tycoons

mentioned in the early days now appear to be non-starters.

While no clear timetable has been set for the selection process, members of the Preparatory Committee had indicated that a decision was due in the autumn. However, a top China official has said more time may be required to assemble the 400-strong committee who will choose the chief executive.

Yesterday, Mr Patten said both he and Mr Tung recognised that at some point the tensions between the two disparate roles might become too difficult to reconcile. "I made clear that this would be very much a matter for him to decide... clearly that point has now come," he said.

ASIA-PACIFIC NEWS DIGEST

## Matra quits Taipei metro

Taiwan's only mass rapid transit system broke down in Taipei yesterday after the French builder Matra Transport pulled its officials out of the country in a payment dispute with the city government, officials said. The elevated Mucha Line stopped operations for six hours and reopened only after one of its two controlling computers was repaired, a spokesman of Taipei Rapid Transit said.

Mr Chen Chao-wei, transit company president, said Matra had responsibility to repair the computer and a spare system which broke down at the same time. If it did not do so, the city government "would sue the French builder in France". Matra had said it was pulling its officials out of Taiwan to "protect the company's interest and cut expenses," after talks with Taipei's Department of Rapid Transit Systems failed over final payment and a performance bond.

Matra demanded final payment and a return of the T\$800m (\$18m) performance bond it deposited to guarantee it would complete the metro system. But the rapid transit department argued some defects remained that needed to be worked out before it would give Matra final payment and the bond. When the talks broke down, the department foreclosed on the bond, and Matra announced its pull-out.

AFP, Taipei

## Thai inflation declines again

Thailand's inflation rate declined for the third straight month in May, with prices rising at a year-on-year rate of only 6.1 per cent, the commerce ministry reported yesterday. This rate compares favourably with first-quarter price rises averaging 7.3 per cent and April's 6.9 per cent. Analysts were impressed by the decline, because food prices, the driving force behind inflation for more than a year, often leap in May. But food prices rose only 9.1 per cent year-on-year then, against 10.4 per cent in April.

If last year's flooding is not repeated, the annual inflation rate is expected to approach the finance ministry's 5.5 per cent target but not the central bank's target of 4.9 per cent. May's inflation rate may well indicate the central bank's tight money policy has taken a firm hold on prices. Inflation reached a four-year high of 5.8 per cent in 1995. The current account deficit in March, the last month to be reported, was a five-month high of B\$5.5bn (\$1.4bn).

Ted Barclack, Bangkok

## Seoul scandal hits bourse

The Seoul bourse yesterday fell 1.2 per cent as prosecutors claimed several officials at South Korea's Securities Supervisory Board were allegedly involved in a corruption scandal. The Seoul general share index declined to 897.22 following Sunday's arrest of Mr Paik Won-ku, SSB chairman, on bribery charges. Concerns that an expanded investigation would damage the market were eased by an announcement from prosecutors that finance ministry officials who deal with stock regulation had been cleared of any wrongdoing.

Prosecutors have not offered many details in the first disclosed case of alleged corruption involving the SSB, the main government agency that oversees the Seoul bourse. The only specific charge brought against Mr Paek is that he allowed a small telecoms company to be listed on the exchange in return for an alleged payment of Won10m (\$13,690). More than 200 companies are seeking a listing, but the SSB has restricted the number of approved share offers because of fears that too many would soak up liquidity in the market and depress share prices.

John Burton, Seoul

# Transition highlights role and rules of market

With the return of Hong Kong to Chinese rule fast approaching and rivalry between the region's financial centres growing, Mr Joseph Yam is in something of a hot seat.

As chief executive of the Hong Kong Monetary Authority (HKMA), Mr Yam is guardian of Hong Kong's financial stability as the territory and its markets confront the uncertainties of the transition. And as one of the main movers in institutional and regulatory reforms, he is at the forefront of Hong Kong's drive to secure its role in the face of competition from markets such as Singapore and Shanghai.

For the moment, there is little to ruffle Mr Yam's calm demeanour. The Hong Kong currency has been on the strong side of its peg rate against the US dollar, a link established in 1983 after political worries prompted turmoil in the foreign exchange market.

Spreads between yields on Hong Kong and US government paper are narrow, although somewhat wider for longer-term issues. The stock market has turned in a steady performance this year, while the property sector, which underpins the economy, is recovering from the downturn of 1994-1995.

The message, says Mr Yam, is one of investor confidence ahead of the handover next year. And this has allowed the territory's *de facto* central bank to focus on broader issues.

In the early 1980s we were involved in fire-fighting, rescuing banks and stabilising the currency. In the late 1980s we moved on to fire prevention," he says, referring to a re-organisation of Hong Kong's monetary system which granted a strong supervisory and managerial role to the HKMA. "Now we are in a different mode, to try to develop Hong Kong as an international centre."

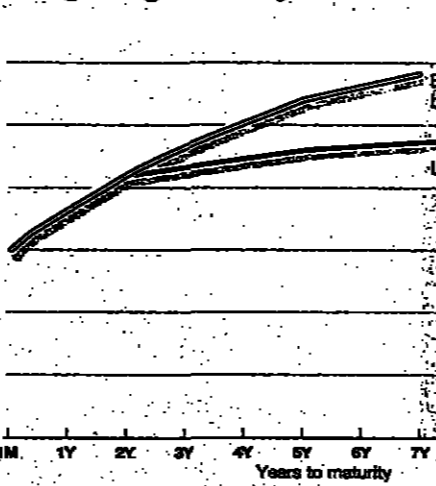
Despite the present calm, however, pitfalls lurk on the path to such longer term goals. Political or economic shocks relating to the handover could quickly change investor sentiment, while speculators might be tempted to test the peg. "We are going to have a run on the currency later this year if my hedge-fund friends are to be believed," says Mr William Overholt, regional managing director of Bankers Trust.

Some economists criticise the peg, arguing that the system forces adjustments to be made through the economy rather than the exchange rate. In its annual report this year, the Asian Development Bank noted that the mechanism provides little scope for an inde-



Joseph Yam, chief executive of the Hong Kong Monetary Authority

### Hong Kong and US yield curves



pendent monetary policy. It concluded the system would "clearly need to be reviewed in the context of future relations with China".

Although the ADB stressed it was not calling for the link to be replaced, private economists point to the potential for growing strains. "Sovereignty is being transferred to China, but monetary sovereignty lies with the US," says one investment banker. "This matters because China is now Hong Kong's biggest economic partner."

Should speculators try their

hand, the HKMA claims to be ready. Mr Yam may talk softly, but he carries a big stick. Hong Kong's foreign currency reserves totalled US\$58.8bn at the end of March, which combined with the government's healthy budget position, has helped deter assaults. Mr Overholt at Bankers Trust believes speculators would find it hard to sustain a challenge against the Hong Kong dollar. "I think they would lose a lot of money," he says.

Mr Yam sees no economic justification for an attack on the peg, stressing the benefits

of a stable currency for Hong Kong's traders. As for the limits on monetary policy? "I don't mind having him in charge," says the HKMA chief, gesturing to a photograph of Mr Alan Greenspan, chairman of the US Federal Reserve.

Of greater significance is China's backing for the currency peg, which underpins its growing commercial interests in the territory. Mr Chen Yuan, deputy director of the People's Bank, China's central bank, last week indicated that Beijing would support the Hong Kong dollar in case of speculative attack. One of his senior colleagues also sought to reassure Hong Kong, flatly rejecting the notion that China could plunder the territory's financial resources.

While autonomy is crucial in monetary and financial management, economic integration - and Hong Kong's role as a conduit of funds - is vital for the territory's future as a financial centre. Hong Kong is the natural centre to supply China's capital needs, estimated by the World Bank at more than US\$700bn for infrastructure alone over the next decade. But work needs to be done in improving financial markets. "We don't have a very efficient system in China, or for the region as a whole," says Mr Yam.

To this end Hong Kong is pursuing plans to deepen the territory's debt market, including the creation of a mortgage corporation and a compulsory pension scheme. Mr Yam is pushing proposals for an Asian bond clearing and settlement system to help stimulate the regional market.

"It is the same with physical infrastructure, like roads and airports," says Mr Yam. "Sometimes you can't wait for the private sector. You need governments and central banks to start things off."

John Ridding

## Official raid irks investors in Vietnam

By Jeremy Grant in Hanoi

Foreign companies operating in Ho Chi Minh City have been unsettled by a surprise raid on the offices of Hong Kong-based investment group Peregrine Investment Holdings last week by Vietnamese finance ministry officials.

The move is understood to be part of an investigation into the company's activities. Mr Nguyen Trung Truc, Peregrine's managing director in Ho Chi Minh City, said the officials had turned up without warning at the company's premises and those of companies associated with Peregrine last Thursday. They spent four hours examining documents, some of which were confiscated. "We've been assured by the people concerned that it's a normal visit," he said yesterday.

Businessmen in the southern commercial hub say it may be part of a wider campaign to check whether foreign representative offices are operating legally. Such checks are routine, but the fact that the inspectors gave no warning has caused some alarm in the business community.

Most foreign companies in Vietnam open a representative office as a first step before moving ahead with planned projects.

Under Vietnamese law, trading or banking business through the representative office is banned.

The authorities periodically uncover cases of abuse and have closed offices operating illegally. Most are run by Asian companies, particularly ethnic Chinese businesses using Vietnamese companies as business fronts.

Vietnam has drafted tough regulations designed to clamp down on the Internet only weeks ahead of a Communist party congress at which access to information by its citizens and increased foreign influence are to be high on the agenda.

Foreign and Vietnamese businesses would be allowed to offer Internet services but would have to register with the country's telecoms authority, the Directorate General of Posts and Telecommunications (DGPT).

The DGPT would close any services that violated conditions in the draft, including a clause whereby the provider must ensure "effective technical filters to deter adverse information flows from abroad penetrating into Vietnam". Inspections from the interior ministry would be mandatory.

Draft rules are rarely altered substantially and are considered a reliable indication of final government policy.

Many in the Vietnamese leadership fear the use of the Internet to advance the cause of "peaceful evolution", a term Hanoi uses to refer to alleged subversion by western countries.

## Sri Lankans pray for rain as hydro-power shortage grows

Energy crisis has hurt growth prospects, writes Amal Jayasinghe

Sri Lanka, in the grip of an unprecedented energy crisis, has stopped late night television shows in an effort to encourage people to go to bed early.

Furthermore a daily six-hour power cut will be increased to eight hours from today to save electricity and avert a total blackout.

All TV stations, including 24-hour private channels, have been asked to stop transmissions two and a half hours before midnight.

Electricity-guzzling air conditioners and neon signs have been banned and the country has for the first time advanced the clock by one hour to save daylight.

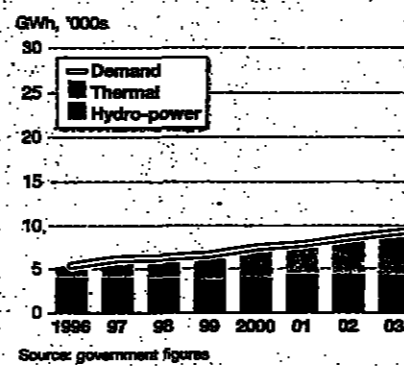
Private analysts said the power crisis was a severe blow to industries and the government would be lucky if the country was able to achieve a 3 per cent GDP growth this year, against an earlier forecast of 5.5 per cent and compared with 5.5 per cent last year.

Compounding the problems of the power crisis was a four-day strike by electricity workers demanding a reversal of government plans to sell off state-run public utilities.

The work stoppage plunged the country into a total blackout, crippled water and fuel distribution and badly hit hospitals for four days till Saturday.

However, the action also helped save some water in reservoirs feeding hydro-electricity stations.

### Sri Lanka: the power balance



"The energy crunch is far more serious than a terrorist attack in the capital," said Mr Ken Balendra, chairman of Sri Lanka's leading private sector group, John Keells Holding. "The damage to the economy must be enormous."

At the root of the energy crisis is the country's over-dependency on hydro-electricity. The reservoirs have hit rock bottom because monsoon rains failed earlier this year while demand surged - making the country more and more vulnerable to ever changing weather patterns.

Underlining the situation, the Ceylon Electricity Board (CEB) last month commissioned Buddhist monks to pray for rain.

Halfway through, workers went on strike, demanding an end to the sale of Lanka Electricity Company (Leco), the state electricity utility's

distribution subsidiary.

But the privatisation authority said it was not going ahead with the Leco sale because the highest bid of \$27m (£17.5m) was \$9m short of the minimum floor price - a decision unrelated to the lightning strike.

Even as the work stoppage continued, engineers had joined "in spirit" to pray with the saffron-robed monks who launched the prayer session at the country's main hydro-electricity station in the central region.

"If the gods don't deliver by June, we are doomed," a spokesman for the CEB engineers union said.

"We want the country to pray for rain because there is nothing else we can do. We, too, are praying every day."

Sri Lanka's current installed electricity generating capacity is 1,368 MW and only 250 MW

of that comes from thermal power generation stations. Engineers say the thermal backup is woefully inadequate.

"We have been sentimental about hydro-power," said Mr Leslie Herat, Electricity Board chairman.

"We can no longer depend on the weather. The answer is thermal power and we are moving in that direction."

Mr Herat said the country needed to switch to thermal power as the demand for electricity rose. Only 98 per cent of Sri Lanka's 17.05m people currently have electricity in their homes.

Seven power generation projects are planned with only two being hydro-power stations and the total investment in the next six years is estimated to be about \$2.5bn.

Although the share of hydro-electricity is now 80 per cent, it is estimated to drop to 50 per cent by the turn of the century and to 20 per cent in 18 years with installation of more thermal stations.

In the meantime, industry has taken a severe beating due to the power shortfalls since March and triggered a run on small portable electricity generators.

"People are out of work, their pockets are affected," opposition leader Ranil Wickremesinghe said.

"This is a national crisis and the government has totally mishandled the situation."

## India 'pledged to reform and high growth'

By Shiraz Sidiwa in New Delhi and agencies

Mr P. Chidambaram, India's new finance minister, yesterday underlined his adherence to economic reform with a pledge to achieve "a firm and pragmatic commitment to high growth".

The minister, widely admired by the markets as a standard bearer of market forces and economic liberalisation, said the new United Front government, sworn in at the weekend, would seek "fiscal prudence and austerity, continuation of tax reforms and policies to attract capital, domestic and foreign, to achieve higher levels of investment".

India's new coalition government, comprising 13 partners including the Communist Party of India, will today unveil a detailed paper on its main policy issues. Despite declarations of unanimity on economic policy, underlying tensions are bound to surface on issues such as mines privatisation, which the CPI has strongly opposed.

As a former commerce minister in the Congress government defeated in last month's general election, Mr Chidambaram was a strong advocate of privatisation.

Yesterday, however, Mr Chidambaram said consensus existed on economic issues within the governing United Front alliance as well as in the

Congress party, which is supporting the United Front from the outside.

The government was committed to channelling the bulk of new investment into infrastructure projects and restructuring public sector companies, he declared.

This is likely to cause friction within the coalition as the communists and their left allies oppose large-scale job cuts within state-owned industries.

An Indian court yesterday began hearing a lawsuit filed by a leftist trade union demanding the scrapping of a \$2.9bn power project being put up by Enron of the US. The Bombay High Court deferred the next hearing to June 19 and asked the consortium led by Enron Development to make a written reply to the suit filed by the Centre of Indian Trade Unions (CITU).

The judges also cited any work restarted at the site in the western state of Maharashtra, of which Bombay is the capital, would be at the company's own risk and cost, and subject to the outcome of the suit.

Enron lawyers said delays were costing Rs8.6m (\$240,000) every day in interest and other charges. The project was billed as the largest single private investment in India after the market reforms of 1991. It was axed by Maharashtra's government but the decision was later rescinded.

## THE SLEEPER SEAT THAT GIVES OTHER AIRLINES SLEEPLESS NIGHTS.

**BUSINESS/1057** For the third year in a row Entrepreneur magazine has named BusinessFirst™ the "Best Transatlantic Business Class". Our Business Class sleeper seat with a massive 55" pitch offers more space than most of our competitors including British Airways, Lufthansa, Air France, American, United and Delta. Against BusinessFirst, they all fall short. BusinessFirst. First Class comfort and service at a Business Class fare. No wonder the competition's losing sleep.

**Continental Airlines**

FRANKFURT • DÜSSELDORF • PARIS • MADRID • LONDON • MANCHESTER TO NEW YORK AND HOUSTON • AND ONTO OVER 125 U.S. CITIES

# US group to open \$50m plant in N Ireland

By John Murray Brown in Dublin

Northern Ireland has secured its first big investment from outside the UK since the Irish Republican Army ended its ceasefire in February. It came yesterday with the announcement of a \$50m (\$80.2m) project by Copeland of the US, the world's biggest manufacturer of compressors for the air conditioning and refrigeration markets.

The UK's first regional technology plan was launched yesterday in Wales with the aim of making companies more competitive by stimulating innovation, Roland Aduburgh writes in Cardiff. Wales is one of eight regions, and the only one in the UK, to have been invited by the European Commission to draw up such a plan. Funding is being provided by the commission and the Welsh Development Agency, which is project manager.

An action plan to implement the strategy has force of 300. The investment is the latest in the series of moves by Emerson Electric to increase its local presence following its acquisition in 1994 of the family owned F.G. Wilson, an engineering group which is Europe's largest manufacturer of diesel generators.

been drawn up after two years of consultation with more than 600 companies and organisations to identify the innovation issues facing Wales.

Six flagship projects are to be launched immediately. These include a technology and innovation competition; support for the optoelectronics sector to build global alliances; a funding programme for small and medium-sized companies wanting to upgrade their technology; and a network of multimedia/information technology advice centres.

Féin, the IRA's political wing, has been in contact with the company and with Mr Alan Hayes, controller of the New York City pension fund, which has a large holding in Emerson Electric and Caterpillar. This is the first time Sinn Féin has actively lobbied for an inward investment project and underlines the improved profile that Northern Ireland now enjoys in the US, from where there has been a 60 per cent increase in the number of business inquiries over the last three years.

Mr John McGuckian, chairman of the Northern Ireland Industrial Development Board, said the investment by Copeland was "a very substantial endorsement of Northern Ireland".

Mr Robert Novello, chairman of Copeland, said the investment in Northern Ireland would allow the company to meet the growing demand of its European customers. Last year the IDB managed to attract a record 63 projects, more than half of which were greenfield investments, with the promise of more than 4,800 jobs.

Mr Bruce Robinson, the IDB chief executive, said the target was to create between 12,000 and 18,000 new jobs by March 1998. The planned Cookstown facility is the company's third big expansion in the past 6 months. The company said yesterday it intended to announce further investments in Asia and North America "in the near future". Copeland had worldwide sales of about \$1.2bn in 1994, and employs 5,500 people, supplying compressors to most of the world's leading refrigerator and other "white" electronic goods manufacturers.

## Tories run short of Welsh speakers

By George Parker at Westminster

The resignation of Mr Rod Richards, a junior Welsh office minister, after allegations of an extramarital affair has robbed the region of its only Welsh-speaking minister.

Yesterday Mr John Major, the prime minister, appointed Mr Jonathan Evans to the Welsh Office. Although Mr Evans represents a Welsh district he does not speak the region's ancient language.

The departure of Mr Richards has caused the government acute embarrassment in Wales.

This month the House of Commons is expected to approve an historic measure allowing the Welsh language to be spoken for the first time in parliamentary business when the Welsh grand committee of the House meets in Wales.

In future ministers who do not speak Welsh will have to listen to such proceedings through an interpreter. The government will also be unable to provide a minister to answer questions on Welsh-language television.

Mr Evans is one of only six Conservative MPs representing Welsh constituencies. Some political analysts believe the Conservatives could be wiped out in Wales at the next election.

The Welsh office is proving one of the hardest government departments for the Conservatives to staff. Mr William Hague, the current senior minister representing Wales, comes from the Yorkshire region of northern England. Other ministers who have quit the government during Mr John Major's premiership include:

1992 Sept: David Mellor, national heritage secretary, quit after revelations about affair with actress and reports that daughter of an official of Palestine Liberation Front had paid for Mellor family holiday.

1994 Jan: Tim Yeo, environment minister, was revealed to have fathered a child outside his marriage. Said his private life had not affected his ability to do his job.

Jan: Lord Caitness, a junior transport minister who resigned on the day his wife committed suicide. Her parents said he had been having an affair with a family friend.

Jan: Alan Duncan, parliamentary aide to a health minister, lent elderly tenant of municipally owned house cash to buy under government discount scheme open only to tenants. Ownership of house was subsequently transferred to Duncan.

Feb: Bartley Booth, 48-year-old aide to a Foreign Office minister, was accused of "kissing and cuddling" former House of Commons researcher aged 22. Booth married with two children.

May: Michael Brown, unmarried Conservative party whip, rejects newspaper allegations of "homosexual triangle" involving him, student and government official.

July: Ministerial aides Graham Riddick and David Tredinnick alleged to have accepted £1,000 (£1,540) to table question to ministers in House of Commons. Allegation was made by newspaper reporters posing as businessmen keen to obtain government information relevant to their business interests.

Nov: Tim Smith, a Northern Ireland minister, admitted breaking parliamentary rules over disclosure of business links with Harrods.

Nov: Neil Hamilton, corporate affairs minister, expressed regret that he had not declared stay in Paris Ritz at expense of Harrods owner Mohammed Fayyad.

Feb: Robert Hughes, junior science minister, married with three daughters, admitted to affair with former secretary.



Sir Ron Hadfield, chief constable of West Midlands police, displays a 9mm Uzi submachinegun seized in a police raid earlier this year. His and other police forces throughout Britain yesterday began a month-long firearms amnesty ordered by the government after the Dunblane massacre in Scotland in which 16 schoolchildren and their teacher were shot dead. Michael Howard, home secretary, said: "If we can get these weapons out of circulation, off the streets, out of people's homes and into police stations where they can be safely disposed of, that's something very much to be welcomed."

## Agents protest at demand for help for stricken Names

By Ralph Atkins, Insurance Correspondent

Lloyd's of London last night faced a possible revolt from agencies running insurance syndicates at the market over proposals to help ruined Names as part of the Lloyd's recovery programme.

Agents protested that they were being "bounced" into a deal which could see them paying tens of millions of pounds extra to protect the homes and incomes of Names devastated by losses totalling more than \$1.2bn in recent years.

The proposals would "top up" help available to all Names under the Lloyd's recovery plan which includes a \$3.1bn (\$4.7bn) out-of-court settlement offer to loss-making and litigating Names. Names are individuals whose assets have traditionally supported Lloyd's.

Agents had expected to contribute £200m to the plan, but Mr David Rowland, Lloyd's chairman, is seeking a "material" increase to help the worst affected Names. Lloyd's also faces difficulties

on another flank. Hardline Names are collecting signatures for an extraordinary general meeting in an attempt to force agents to pay substantially more than envisaged by Mr Rowland. They argue that the latest concessions are inadequate.

Resolutions are still being considered, but the Lloyd's

### LLOYD'S

LLOYD'S OF LONDON

Names Associations' Working Party (LNAWP) may use an extraordinary general meeting to propose that agents contribute an additional £200m. It is also floating the idea of a 2 per cent "turnover" tax on the future Lloyd's market, raising at least £100m a year.

The latest rows are unlikely to derail the Lloyd's recovery plan, which is winning broad support among Names. But they presage a bumpy few months ahead of the plan's implementation, due in August. Even if LNAWP's resolutions were passed, they would not be binding.

News of the extra help for ruined Names pledged by Mr Rowland came in a letter published yesterday and signed by leading Names' representatives following a meeting at Lloyd's last week.

In response, Mr Paul Archard, managing director of Murray Lawrence, one of the largest agencies at Lloyd's, said: "I'm amazed to have read it in the papers since no one has agreed it with me or any other agent."

Several leading Lloyd's agencies expressed anger privately at what they said was a "political game" being played by Mr Rowland, who was making commitments not discussed with them. Recent meetings between Mr Rowland and agents are understood to have been stormy.

But Names' representatives said the extra help being offered to ruined Names was an important step forward. More than 4,500 Names have applied for guaranteed assistance as part of Lloyd's recovery plan.

'We are the last UK-based engineering industry that's world class,' says BAe executive

## Aerospace sector warns of heavy job losses

By Michael Skapinker, Aerospace Correspondent

British aerospace companies warned yesterday that their industry may have to shed 30,000 jobs.

Launching a campaign to regain international market share lost since 1980, the Society of British Aerospace Companies said that only 100,000 of the industry's 130,000 jobs were sustainable in the long term.

Britain's international market share had fallen from 13 per cent in 1980 to 9 per cent last year. The society called on the government to fund half of a £200m (\$303m) programme to help increase the British

industry's competitiveness.

Mr Norman Barber, the chairman of Smiths Industries Aerospace, said UK companies had already taken action to improve their efficiency. The industry's productivity growth since 1980 had averaged 12 per cent a year.

Labour costs in the UK industry were far lower than in competing nations, he added. UK costs were 68 per cent of those in the US and 62 per cent of those in Germany.

Mr Barber said, however, that the UK had lost market share because of aggressive marketing by competitor countries and because of weak support by the British government. The level of

employment in the UK industry had fallen from 250,000 in 1980 to 130,000.

The UK aerospace industry nevertheless remained one of the world's most powerful, with sales of more than £10bn a year, equivalent to 2.2 per cent of gross domestic product. Aerospace made a net contribution of more than £2bn to the UK balance of payments.

Three aerospace companies - British Aerospace, Rolls-Royce and GEC - appeared in the list of the UK's top five exporters. In spite of the fall in employment, the industry continued to recruit 1,500 graduates a year.

Mr Mike Turner, BAe's head

of commercial aerospace, said: "We are the last UK-based engineering industry that's world class."

Mr Turner added that returning the UK industry to an international market share of 13 per cent would require the combined efforts of the industry and the government. But he said productivity gains would result in the loss of a further 30,000 jobs.

Mr Turner said the government should ensure that its defence procurement policies provided greater support to the UK industry. "We want some bias towards the UK. There will be occasions when the government needs to buy off

the shelf, but if we do it too much we will end up with a US monopoly."

The society said the industry was putting £20m into research and development projects this year. It intended to build this up to £100m by the end of the decade and called on the government to commit an equivalent amount.

Companies intend to use the money to focus on areas in which the UK is already strong. These include the building of wings, engines, aircraft undercarriages and cockpit equipment. The society is also working to improve co-operation between manufacturers and component suppliers.

Official report admits that feedstuff controls 'have had less impact than intended'

## Minister opens full defence of BSE measures

By Caroline Southey in Luxembourg

Mr Douglas Hogg, the British agriculture minister, went on the offensive yesterday at a meeting of European Union farm ministers, defending Britain's plans to eradicate BSE or "mad cow disease" and pledging to take tougher measures against dangerous feedstuffs.

Mr Hogg presented EU ministers with the most detailed account yet provided by the British government on what it has done and plans to do to wipe out the disease. The 121-page document also gave a blow-by-blow account of where policies have failed in the past,

offering explanations as to why the disease has persisted in British herds.

Although the paper contained only two new pieces of information - the measures on animal feed and a small change in the selective slaughter proposals - Mr Hogg clearly hoped its presentation would help overcome scepticism in the EU about Britain's commitment to eradicating BSE.

Mr Hogg said the British government would make it a criminal offence for anybody to possess animal feed made from mammalian meat and bone-meal. The measure would come into force in two months, giv-

ing farmers and feedmills time to dispose of all stocks.

The report said the extra measures relating to animal feed were intended to ensure "100 per cent compliance with the new rules". In March the government banned animal protein from feed for pigs and poultry - it has been banned for cattle since 1988.

"Action on animal feed is still believed to be the most effective way of eradicating BSE," the report said, admitting that the "controls in the UK to date have had less impact than intended".

The report summed up what the government knows about BSE and gave details of the main thrusts of policy - such

as the exclusion of ruminant protein from cattle feed, ensuring that parts of carcasses which could convey BSE do not enter the human food chain.

Mr Hogg said 80,000 cattle had been slaughtered since the beginning of May as part of the government's culling scheme for animals over 30 months. The total will reach 1m by the end of the first year of operation.

Two weeks ago the government said it would extend its separate selective slaughter policy - which is based on tracing and destroying cattle born at the same time and in the same herd as those which have contracted the disease -

to cover all future identified cases of BSE.

It made clear yesterday it had withdrawn an earlier proposal to allow farmers the choice of confining rather than killing animals which have the disease.

The government's report said research left open the question of whether "cattle-to-cattle transmission, notably maternal transmission, can or cannot occur at all".

Mr Hogg added that it had "not been possible to establish vertical transmission" but the evidence suggested that if it did happen it would not "prevent the disease from dying out" given the measures currently being taken.

## Host cities hope soccer and tourism prove profitable mix

By Christopher Brown-Humes in London

The police officers and taxi drivers of Greater Manchester can now speak four languages - or, at least, they should be able to say "hello" in German, Italian, Russian and Czech after recent coaching. It is hoped the tuition will help make thousands of fans from those countries feel more welcome when they come to Manchester for Euro 96 this month.

The scheme is integral to the English Tourist Board's broader Welcome Host programme, which aims to maximise the tourism benefits of the tournament for all eight cities where matches are taking place. The ETB is expecting 250,000 overseas visitors, a healthy addition to the 2m it usually expects in June. It believes the influx will generate additional spending of around £118m (\$179m) on top of the £1.1bn expected for the month. The cities which will fare best are those hosting four teams - rather than three -

The organisers of Euro 96 who boasted last week about the "phenomenal" demand for tickets admitted yesterday that the special telephone "hotline" set up to handle inquiries was incapable of coping with the late rush of demand, Patrick Harverton writes. Yesterday many callers to the hotline in Britain were greeted by a continuous tone indicating the number was unobtainable. Mr Andrew Walpole, spokesman for Euro 96, explained this was because the telephone system set up by British Telecommunications and Synchro Systems, the software company handling ticket sales, could answer only 150 calls at a time.

Manchester is expected to attract around 40,000 overseas visitors against Liverpool's 30,000. Nottingham, which is host to Croatia, Portugal and Turkey, may draw only 22,000, however, because ticket sales in these less affluent countries have been lower. Manchester calculates that the championships could be worth as much as £30m to the city, a huge benefit for local

hotels, restaurants, shops and taxi drivers. The biggest chunk of money will be spent on accommodation (33 per cent of the total); followed by restaurants and pubs (24 per cent); shopping (19 per cent); travel (14 per cent) and cultural attractions (6 per cent). As much as half of the total will be spent by visitors from outside Britain. Manchester hotel occupancy, normally 75 per cent in June, is expected to be almost 100 per

cent, according to the Greater Manchester Visitor and Convention Bureau. The city is hiring university accommodation.

But many small hotels and guest houses in host cities are far from fully booked. This has been blamed on unsold tickets, poor ticket distribution in other countries, negative publicity about expensive travel packages and a spate of late cancellations. The big hotels say they are charging only their "rack" rates - their highest published charges - but this still leaves prices higher than normal discounted levels. One of the biggest problems has been converting a visit into an overnight stay. Manchester, for example, although forecasting 40,000 visitors from outside Britain, expects only

### UK NEWS DIGEST

## Investment at peak in Scotland

Scotland yesterday said that 1995-96 had been another record year for inward investment. Located in Scotland, the official inward investment agency, achieved its highest ever figure for the number of planned jobs that would be created or safeguarded by investment from outside Scotland. However, the number of planned inward investment projects in the financial year fell from the 1994-95 figure of 97 to 84, and the total planned investment was slightly down at £981m, from £1.12bn

Year	Projects	Investment	Jobs new	Jobs safeguarded
1994-95	97	£1,127m	9,114	3,215
1995-96	84	£981m	8,136	2,424

Source: Lloyds in Scotland

in the previous year. The jobs total was boosted by the decision of Chung Hwa, a Taiwanese electronics company, to establish a £200m plant making cathode ray tubes for computers and televisions in Lanarkshire, which will eventually create 3,900 jobs. This made it Scotland's biggest inward investment ever in terms of employment. The Scottish plant of International Business Machines is losing its worldwide responsibility within the group for developing monitors for personal computers. The move coincides with rising concern in the Scottish electronics industry at declining levels of development spending. IBM said it would now meet its product requirements from outside suppliers. James Buxton, Edinburgh

### Philips plant sought

The West Midlands yesterday stepped up its efforts to win a £20m (\$30.4m) semiconductor factory from Philips, the Dutch electronics group, by publishing detailed proposals for the scheme. West Midlands Development Agency, which markets the region to inward investors, applied for planning approval for a 57ha plant on a greenfield site to the north-east of Birmingham. It said plans for the plant - which could create up to 4,000 jobs - were provisional. Philips confirmed it was considering the UK for a semiconductor plant, but said that no final decision had been made. The Midlands site is among several in Europe which Philips is examining as part of its plans to expand output of semiconductors. Richard Wolfe and Stefan Wagstyl

### Output declines sharply

Manufacturing activity experienced its biggest decline for more than 3 1/2 years last month as factories reined in output and cut jobs in the face of declining order books and a build-up of unsold goods. Companies making plant and machinery raised output only fractionally while producers of components cut output sharply, according to yesterday's monthly survey by the Chartered Institute of Purchasing and Supply. But weakness in these two areas was intensified for the first time this year by a sharp slowdown in output and demand for consumer goods. Although the consumer goods sector remained the strongest area of the economy, its poor performance last month contrasts with the buoyant conditions earlier this year. It suggests that consumer demand, which the government expects to rebound strongly in 1996, may still be fragile. However, separate figures yesterday showed the amount of notes and coins circulating in the economy continued to grow rapidly last month - providing evidence that conditions on city streets remain healthy. The Bank of England said notes and coins grew at an annual rate of 6.1 per cent last month, compared with 6.3 per cent in the year to April. Graham Bowley, Economics Staff

### Internet worries charted

British companies are concerned about the lack of security on the Internet, although most see it as a business opportunity. In a survey of 200 of the UK's top 1,000 companies commissioned by Barclays Bank, nearly three-quarters said they were concerned about the Internet's poor security. However, 81 per cent said they saw the Internet as a business opportunity and more than a third already have an Internet site. Of those without a site, 42 per cent said they would need access by 2000. With the growth of Internet use at work, 65 per cent of companies were worried that employees would "surf the Net" in company time. About one-third were concerned that the Internet would lead to increased competition in their markets. Two-thirds said they would use the Internet to communicate with customers and other companies while 48 per cent said they would use it to order and purchase goods or supplies. About 40 per cent would use it for advertising and 44 per cent planned to sell. Motoko Rich, London

### Airline strike closer

A summer strike by British Airways pilots moved a step closer after management-union talks failed. The pilots' trade union immediately issued strike ballot papers to its 3,000 BA flight crew members. The result will be known on July 3. Each side blamed the other for the failure of the talks. BA management said a date and time for talks had been agreed but then the union had later said it did not want to talk. But Mr Chris Darke, the union's general secretary, said BA had "failed to accept" an offer for talks. "Negotiations on the current pay round have dragged on for six months without a satisfactory offer concerning issues particular to flight crew," said Mr Darke. PA News

Handwritten signature or scribble at the bottom of the page.



# Science centres show signs of the growing entrepreneurial spirit

By Clive Cookson, Science Editor

Brighton has never been a hotbed of science-based industry. The Sussex coast is known for leisure, education and financial services - but not high-tech. So local authorities and universities were rather nervous about the prospects for the Sussex Innovation Centre which they opened last month as a home for scientific enterprises.

The instant success of the Sussex Innovation Centre is one sign of the growing entrepreneurial spirit among Britain's scientists and engineers. Recent publicity about a new breed of scientific entrepreneur has focused on a few quoted biotechnology, electronics and information technology companies, whose stock market performance has made a fortune for their founders.

But the phenomenon is deeper and more widespread than that. More and more scientists are being attracted by the risks and rewards of working outside the safe haven of large corporate and academic laboratories. Many set up on a science or technology park linked to a university. These property developments grew very fast during the 1980s and then got stuck on a plateau in the early 1990s. Now almost all of them are expanding again, says Mrs Chris Emery, administrator of the 46-member UK Science Parks Association.

There are two main sources of scientific entrepreneur: universities and existing companies. Some of the people from both sectors.

Everyone agrees that academics are growing more entrepreneurial as old prejudices about the sanctity of pure science fade away. So are their employers - universities are setting up their own businesses to take advantage of the increasing demand by industry to contract out scientific services and research.

Sir Derek Roberts, provost of University College London, says another factor is "that universities appreciate the opportunities they lost 10 or 20 years ago, when they gave away their intellectual property. They see companies making a lot of money out of research that they did then, and they are determined not to make the same mistake again."

At the same time, many leading scientists prefer to remain academic first and foremost, while working part-time as scientific directors of companies exploiting their discoveries. Professor Richard Friend, a physicist at Cambridge University's Cavendish Laboratory, is a non-executive director of Cambridge Display Technology, the company founded to commercialise his research into light-emitting plastics.

"The business skills that I don't have are present in and around Cambridge," says Prof Friend. "It is a huge burden to start a company or to transfer basic science out of the laboratory."

However, Mr Jeremy Fairbrother, bursar of Trinity College, Cambridge, and director of the Cambridge Science Park, says "the culture of academia is still to do research in the 'public good' arena. Academics who are commercially minded are in the minority."

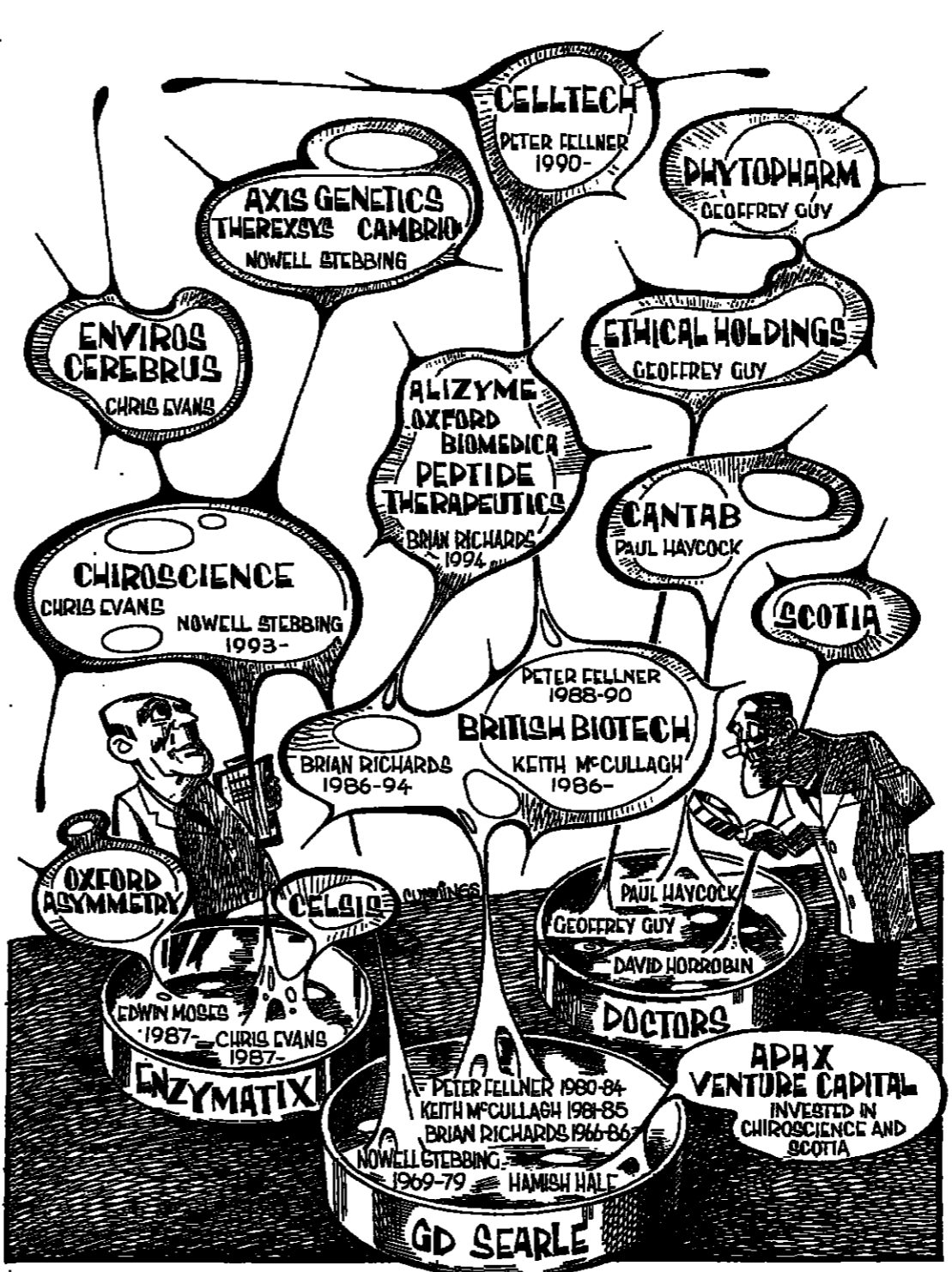
Dr David Owen, director of industrial collaboration for the Medical Research Council, has masterminded the recent spin-off of several ambitious biotech companies based on MRC-funded research (including Therexys, Cambridge Antibody Technology and Enveda) and he is working hard to get two more started: Cambridge Genetics and Ribotargets.

There are two main constraints, according to Dr Owen: too little funding available for new science-based ventures, and too few professional managers who specialise in helping scientists to start companies. He says the current wave of consolidation in the UK pharmaceutical industry, including redundancies among senior executives, will provide good managers for existing science-based companies but it will not help the newcomers much.

Observers of the international high-tech scene say that the UK is leading continental Europe in the creation of scientific entrepreneurs but still lags well behind the US.

A truly transatlantic view comes from Mr Peter Nomikos, a Greek engineer based in London, who is president and founder of Photoelectron Corporation, a Massachusetts electronics and medical devices company. "A very contagious entrepreneurial R&D culture has taken root over more than 40 years in the Boston area east of Cambridge," he says. "There is a very mobile pool of scientific talent and of investment funds, which does not yet exist in the UK. You are beginning to emulate it here but it will take time - maybe 15 years rather than 40."

In 2010, will people be talking about the Sussex coast as a cradle of high-tech business in the same breath as Route 128 in Massachusetts or Silicon Valley in California?



## Start-ups turn to US for funding

By Paul Taylor

Historically, the City has had a chequered relationship with the British information technology sector, while high technology entrepreneurs have a somewhat jaundiced view of "the money men".

Unlike the US, where a thriving venture capital, analyst and broker community has developed on Wall Street, in Boston and California to advise and help fund high-tech start-ups, the UK has failed to develop a similar group.

As a result, technology entrepreneurs complain that the City "doesn't understand technology" and is unwilling to fund high risk start-ups and lacks the vision required to see past the next set of results.

While in the City, institutional fund managers and bankers counter that small technology companies often fail to explain their strategies, are unwilling to accept management advice and too often deliver unwelcome surprises.

This, coupled with the much higher multiples that new issues, particularly hardware companies with "whizz-bang boxes" command across the Atlantic, helps explain why so many UK start-ups turn to US investment banks and the Nasdaq to make their stock market debuts.

Among the UK based companies to have taken the Nasdaq route in recent years have been Firefox Communications, a specialist network security software group, which was founded in 1989 in Solihull near Birmingham, and was floated last year for \$100m, turning its three founders into millionaires.

More recently, Planning Science, a Wimbledon-based software company formed by a group of former Lucas Industries software engineers, floated on Nasdaq at \$16 a share. Within a week, shares in the company which posted profits of just £700,000 on revenues of \$8.4m, had risen to \$26 a share, valuing the group at about \$90m and putting the shares on a historic multiple of 80.

By contrast, Triad, the software and systems consultancy which floated in London in March and posted pre-tax profits of £2.1m in the year to March 31, was valued at only £11.7m - valued at only £24m when it came to market at 135p a share.

Britain has built up a solid reputation for innovation in certain segments of the IT market in particular - including virtual reality, games software and data networking. As a result many successful start-ups have been snapped up by overseas predators even before they come to market.

However, for those entrepreneurs who have persevered, particularly those in the fast growing software and computing services, the outlook is beginning to look brighter.

Britain's three quoted virtual reality software companies, Division, Superscape and Virtually, are market leaders and have performed well. A recent report on the overall sector produced by Mr Richard Holway, an independent analyst, notes that "there has been a major re-rating of software and computer computing services company valuations".

Last year the average historic price/earnings ratios of quoted companies in the industry jumped from 15 to 23. Meanwhile share prices increased by 80 per cent, nearly four times more than the FT-SE 100.

### BIOTECH COMPANIES

By Daniel Green

## 'Sons of Searle' run most of the industry

Many claim credit for the growth of the UK biotechnology sector, whose 159 companies account for more than a quarter of the European total.

But few can hope to challenge the contribution of a US pharmaceuticals company which closed its UK research centre in 1985. The alumni of G.D. Searle now run most of Britain's biggest biotech companies.

There has also been an important contribution from UK academia. Britain's universities have pumped high quality graduates into Glaxo, Wellcome, Beecham and ICI (now Zeneca) - the UK's huge and successful drugs industry. And the London Stock

Exchange helped when, in 1982, it relaxed its rules on company flotations to allow loss-making companies to float.

The story of UK biotechnology began in the mid 1960s. G.D. Searle had made a fortune in oral contraceptives. It wanted to open a UK research centre and expand into new medical areas. It recruited Mr Hamish Hall, a Glasgow doctor who had moved into research at the Imperial Cancer Research Fund where he had been one of the first to explore the new science of molecular biology.

"They gave me carte blanche to start a research team," said Mr Hale. He took on London univer-

sity lecturer Mr Brian Richards and they set out to recruit academic scientists who they felt were attuned to the world of business. Among those they found and promoted to top positions were Mr Nowell Stebbing, who joined in 1969, Mr Peter Fellner (1973) and Mr Keith McCullagh (1981).

These men created in High Wycombe, Buckinghamshire, a 300-strong laboratory, the biggest in the UK devoted largely to biological research. But Searle grew concerned that its policy was not leading to big-selling products, and when Searle was taken over in 1985, the UK research operation was closed. Mr Richards and Mr McCul-

lagh took the ideas they had developed at Searle and raised £2.5m from venture capitalists to create British Biotech.

Mr Fellner joined the board in 1988 but moved on in 1990 to run Celltech. Mr Richards left in 1984 and is now chairman of Peptide Therapeutics, floated earlier this year, and Alkzyme, which is also planning to float. Mr Hale, meanwhile, had gone to work for US biotechnology venture capital funds at Rothschild, came when Monsanto shut its newly acquired UK laboratories. Wycombe labs led to the creation of British Biotech which became a role model and inspired others to follow," he says.

### IT COMPANIES

By Alan Cane

## Seeking outside help is key to success

The lessons of the 1980s seem to have been learned. The UK's most promising high technology companies neither try to go it alone nor attempt to do everything themselves.

An example is Videologic, a Kings Langley based designer of chips and circuit boards capable of generating realistic three dimensional graphics images on personal computer screens. The company has recently agreed to supply its technology to Compaq, the world's largest PC manufacturer.

Videologic understands that the economies of scale necessary for success in the semiconductor business are difficult to achieve in the UK. It

describes itself as a "chipless chip company", exploiting a technology alliance with NEC of Japan, one of the world's top chip manufacturers. Videologic designs the chips and boards, NEC manufactures and markets them and the UK company collects a royalty on each chip sold.

Advanced Rise Machines (ARM), a Cambridge-based chip designer, has a similar approach. Its microprocessors are small and low cost, providing high processing speeds with low power requirements. Seen originally as the ideal chip to power personal electronic gadgets such as games machines and personal digital assistants, they are enjoying

new popularity as the favoured processor for "Internet appliances", low cost terminals giving easy access to the Internet. ARM licenses its technology to a broad range of companies including Digital Equipment, Texas Instruments, VLSI and Cirrus Logic of the US, Sharp of Japan and Samsung of Korea.

ARM is just one of a number of companies which have established Cambridge and its environs as a hotbed of UK technology. The list includes Ionica, the most radical of the UK's new telecom operators, which connects homes and small businesses to exchanges through a fixed radio link. Ionica contracted a number

of innovative Cambridge companies including the Generics Group and Symbionics to develop the wireless technology. It has since signed a manufacturing deal with Northern Telecom of Canada; the two companies work together on improvements to the system. Northern Telecom is responsible for marketing it. So far, the technology has been licensed to Telecom Finland and Scottish Telecom.

ATML, another Cambridge-based company, hopes to exploit the present trend in telecommunications to asynchronous transfer mode (ATM), a technology standard basic to the "information superhighway".

Mr Hermann Hauser, ATML chairman, notes: "All the fundamental ideas that this standard is built on are ideas that we are familiar with and expert at. ATM was a niche five years ago - the niche thing is that for once, the mainstream has come to us."

Virtual reality, or advanced computer simulation techniques, is a further UK strength. The UK has three world class contenders - Division, Virtuality and Superscape. Division and Superscape have aimed chiefly at the training and professional markets while Virtuality has a substantial share of the world market for arcade and other games systems.

### THE PEOPLE TO WATCH

By Paul Taylor and Daniel Green

## Leading innovators meet both triumph and disaster

### Hermann Hauser

The 47-year-old Austrian-born physicist and high technology entrepreneur worked for Mr Clive Sinclair before becoming joint founder of Acorn Computer in 1978.

Acorn, like other high-tech start-ups spawned by the 1970s "Cambridge phenomenon", flourished for a while, helped by the success of the BBC Micro which it designed and manufactured and which is widely credited with bringing computing in Britain "to the little guy".

However, in the face of fierce competition the company nearly failed in the mid 1980s and had to be bailed out by Italy's Olivetti. That collapse cost Mr Hauser about £100m.

Overall he has started 20 companies and although he is no longer listed as the 12th richest person in the country, as he was in 1984, many of his investments have paid off. Advanced Rise Machines, Acorn's sister company which designed advanced microprocessors, looks set to supply the

"brains" inside a new generation of low cost network computers which industry advocates believe will challenge the dominance of the personal computer.

### David Potter

The 52-year-old founder, chairman and chief executive of Psion, a 16-year-old company, which manufactures the world's best selling handheld computer, the Psion 3a.

He started his career as a mathematician and physicist but dislikes being referred to as a "boffin". The success of his company, which was floated for just £2m in 1983 and is now valued on the stock market at about £235m, has been based on the clever electronic engineering and smart marketing of the group's products.

But like other entrepreneurs Mr Potter has also lived through bad times. In the early 1990s the recession and the costs of new product development plunged the company £2m into the red and sent the share price tum-

bling. Many in the City were ready to write off Psion as another British high-tech failure but Psion confounded the pessimists by exploiting a niche in the market for comparatively low priced and easy to use hand-held personal computers.

He has been critical of the City, saying that it has failed to support British technological innovation.

### Robert Madge

Aside from being one of Britain's richest men - he is estimated to be worth nearly £500m - Mr Madge, 43, also has one of the most unlikely backgrounds for a technology entrepreneur.

Ten years ago Mr Madge, once an architectural journalist, mortgaged his 200-year-old Buckinghamshire farmhouse to fund Madge networks in 1989 after spotting a niche applying IBM's proprietary "Token Ring" networking technology.

Today Madge, which was floated on the Nasdaq market in the US in 1993, is ranked as the world's fourth-biggest

maker of switches and other equipment for computer networks and is worth about £1.5bn.

The group is continuing to grow both through acquisitions and geographic expansion.

In spite of his undoubted success, Mr Madge, who now lives in Paris, remains a quiet and unassuming man, but also determined.

### Chris Evans

A 38-year old Welsh rugby enthusiast. He has three quoted companies already - Chiroscience and Celsis, based on biotechnology, and Toad, which invents and sells anti-theft devices for cars. They are worth a total of £40m, of which his share is worth more than £8m.

Mr Evans now takes a back seat in the running of these companies and has moved on to start three more businesses: Carebrus, Envirocs and Kindertec in biotech, environmental services and gadgets for parents of toddlers respectively.

### Nowell Stebbing

Mr Stebbing, 55, a veteran of Genentech and Amgen, the two biggest US biotechnology companies, is best known in the UK for having been chief executive of Chiroscience.

In the past year he launched himself into several new projects including being chairman of Axis Genetics, which is trying to derive vaccines from plants, chairman of Cambrio, a new biotechnology company that is already looking for a quotation, and a non-executive director of Therexys, a gene therapy company.

### Brian Richards

A co-founder in 1985 of British Biotech, Mr Richards, 63, has since steered Cambridge's Peptide Therapeutics to flotation and intends to do the same with London-based Alkzyme. "Brian will never stop," says a former colleague. "He's got too much energy and would be bored if he didn't do this."

The Financial Times plans to publish a Survey on

# World Coal Industry

on Friday, July 5.

Do you want to reach senior decision makers in the world coal mining and equipment business?

Contact Anthony Hayes  
He will tell you how.  
Tel: +44 121 454 0922  
Fax: +44 121 455 0869

George House, George Road, Edgbaston, Birmingham B15 1PG  
FT Surveys

The Financial Times plans to publish a Survey on

# Spain

on Monday, June 24.

The survey will focus on the policies of the new administration • The challenge faced by the country of monetary union • Spain's privatisation programme, banking, competition and much more • Its music and dance culture.

For further information, please contact  
Ewa Placzek-Neves on +44 0171 873 3725,  
Fax: +44 171 873 3204 or Edward Macquistan  
on +34 1 377 0061 or Fax: +341 377 0062

FT Surveys

## TECHNOLOGY

## Bacterial clue to heart toll

Any bacterial interloper may be the culprit in one of the most common diseases in the industrialised world, according to a new study by Utah researchers.

The bacterium, called chlamydia, has only recently been identified as a cause of pneumonia but a closely related subtype is the well-known source of urinary tract infections. Now the bug may be implicated in atherosclerosis - narrowing of arteries - which is the underlying cause of more than 500,000 deaths a year in the US.

Although the evidence is still sketchy, the Utah researchers believe the bug may latch on to the walls of coronary arteries, leading to plaque formation.

If research confirms that an infectious agent causes atherosclerosis, it could transform the way the disease is treated, says Joseph M. Mudd, assistant professor of medicine at LDS Hospital in Salt Lake City, Utah. "If we found that chlamydia actually caused the disease, it could be treated with antibiotics," he says.

A similar model exists in medicine. Physicians long resisted the idea that bacteria cause stomach ulcers but now it is established that they are the result of infection. Mudd says: "We don't know yet whether chlamydia causes heart disease but the ulcer story makes me think we should pursue our research."

The Utah researchers found the bacteria in a substantial number of fatty plaques extracted from the coronary arteries of 90 patients undergoing atherosclerosis, a procedure in which plaque is carved out of the walls of arteries.

The next step is to find if the bug can infect the coronary arteries of laboratory animals. However, Daniel Steinberg, professor of medicine at the University of California, San Diego, says: "The bacteria may be there simply because an atherosclerotic lesion has lots of delicious stuff for them to eat. The principal common cause of this disease is high cholesterol levels."

Marjorie Shaffer

For two decades, scientist Eric Drexler has been promulgating a peculiar vision of the future. By 2025, Drexler says, factories far smaller than the head of a pin will manufacture everything from microwave ovens to ballgowns. The new micro-plants will destroy the economic class system because everyone will have easy access to a wealth of material goods. Since all things can be reduced to basic chemical components, Drexler reasons, even computers may be made from raw materials like sand and air.

The Californian's futurist notions are based on the science of molecular design called nanotechnology. While not all nanologists support Drexler's most extreme predictions, they do agree on one thing: someday it will be possible to create miniature factories at the molecular level.

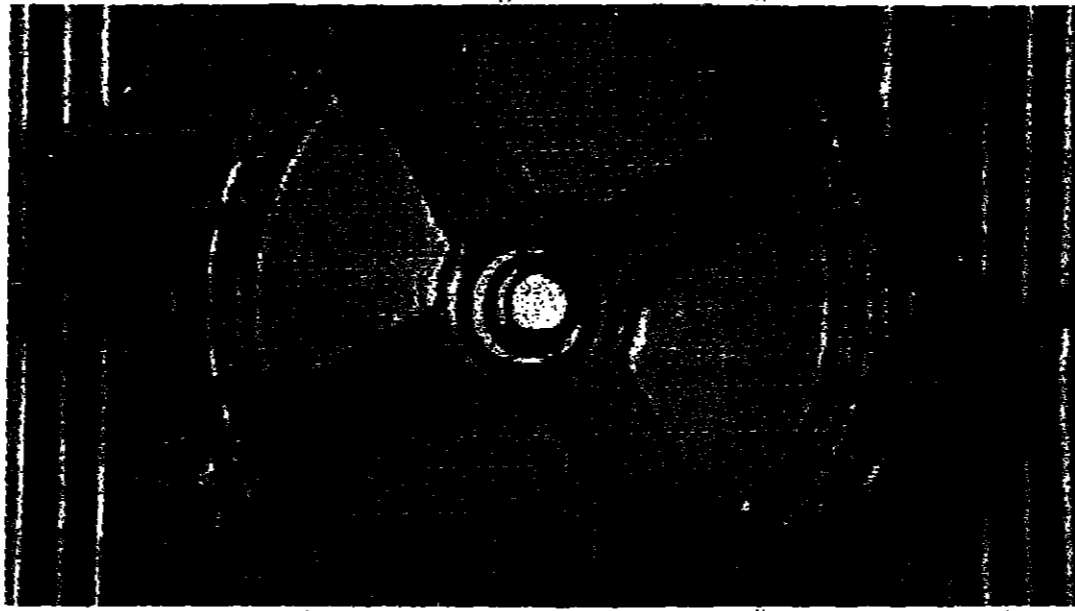
For years, nanologists have operated at the fringes of mainstream science. Yet recent developments in atom manipulation, biotechnology and microtechnology have begun to lend credence to some of the discipline's ideas. "Nanotechnology as a science is gaining respect," says Richard Smalley, a professor at Rice University in Texas.

One sign of nanotechnology's new standing is Rice's nanotechnology centre, which will provide a forum for discussion and experimentation in the field. Nanotechnology is also attracting the attention of the corporate world. Drexler has given lectures at companies such as 3M. Apple Computer has helped sponsor conferences by the Foresight Institute, Drexler's research organisation. And John Walker, founder of the California software company Autodesk, donated \$175,000 (£115,000) to help start the Institute for Molecular Manufacturing, which in turn funds the Foresight Institute's work.

Drexler believes the mainstream scientific community is too short-sighted and narrow-minded to place sufficient faith in his research. Most people have a hard time imagining invisible factories churning out desired goods, but Drexler insists his ideas are not off-base. "People can't see what goes on inside a computer chip, but they still believe in what it can do for them," he says.

Advances in biotechnology may show that the idea of a molecular factory is far from absurd. Biotechnology uses large molecules like proteins to produce substances in the body in a factory-like manner. In the industry's early days, biotech researchers depended on naturally occurring proteins to work their magic.

Today, though, advances in the understanding of molecular structure enable scientists to design their own bio-molecules. And these man-made molecules are being used in the human body, but in the



Step in the nano direction: a 24-step micro-mechanical stepping motor made by depositing successive layers of silicon on the base.

## The molecular factory

Victoria Griffith on the wonders of nanotechnology

production of plastic-like polymers for use in manufacturing. "Biotechnology is nanotechnology," says David Braunstein, a bioapplications scientist with Park Scientific Instruments, which makes microscopes for atomic manipulation.

Many in the medical field would disagree. In fact, scientists are fighting over the definition of nanotechnology. "I don't think people in the biotechnology or chemistry disciplines are keen on having their fields renamed," says Donald Eigler, a researcher at IBM.

Although biotechnology may lend credence to nanotechnology concepts, to most scientists nanotechnology refers more specifically to the idea of manipulating individual atoms to create certain structures. In Drexler's vision, atoms could be put together to form microscopic pistons and gears in a shrunken version of a manufacturing plant. While that particular view seems outlandish to many mainstream researchers, recent breakthroughs make it easier to imagine constructing structures atom by atom.

Small advances in building atomic structures are big news for nanologists. In 1986, AT&T succeeded in placing germanium atoms on a

germanium surface. In 1990, IBM spelt out the company name with individual xenon atoms on a nickel surface, while in 1994 its researchers dug trenches on a silicon atom.

The trend toward miniaturisation is also fueling faith in a nanologist future. The computer industry is at the forefront of miniaturisation, which helps explain the sector's keen interest in nanotechnology. Every few years, scientists in the industry slim down computer parts dramatically. Twenty years ago, most computer circuits measured five microns in width. Today, some circuits are just one quarter of a micron - 250 nanometres - across. Within the next decade, observers say, circuits could shrink in size to just 100 nanometres.

That thickness would place the computer industry within the realm of nanotechnology. "One hundred nanometres will be like hitting the sound barrier," says Smalley. "At that point, everything starts to change."

While many scientists are convinced that nanotechnology will soon become industrially relevant, mainstream science remains sceptical of Drexler's vision of microscopic manufacturing. "It is a big

leap of faith to go from moving some atoms around to creating molecular robots," says Julius Rebek, a chemistry professor at the Massachusetts Institute of Technology. "It is just not convincing."

Even Eigler of IBM, who spends his days shifting atoms around, is critical of the idea of creating elaborate molecular structures. "The oxygen molecule, for example, binds hard to a metal surface. That molecule is tougher than I am and there is no way I could get it to budge."

Although there is sharp disagreement about how far the burgeoning field of nanotechnology can be taken, a growing number of scientists feel the science is gaining relevance. Drexler and his critics in the nanotechnology field may be aiming for the same thing: to understand and imitate the workings of nature.

Nanologist engineers seek to make complex structures from atoms in the same way nature builds trees, mountains and human beings out of molecular raw material. "Nature is the ultimate nanotechnologist," says Braunstein. "What nanotechnologists are after is nothing more and nothing less than to understand and extend what nature already does."

## Help from Deutsche Bank

Germany's biggest bank is focusing on start-ups, says Andrew Fisher

Germany's biggest bank has started to worry about where its future customers will come from and has decided to offer a helping hand to struggling young technology companies. Carl Ludwig von Boehm-Bezing, a director of Deutsche Bank, explains: "When banks look at what they are financing, it is mostly the manufacturing industries of the last century with some innovations from this century." The German venture-capital sector is only a tenth the size of that in the US and the bank wants to help fill the gap. "We need to catch up in new technologies like biotechnology and microelectronics," he says.

Deutsche Bank has gone into partnership with Fraunhofer, the applied research body, to help small technology companies bring products to market and avoid wasting research money. "We want to prevent things being invented twice," Boehm-Bezing says, noting that some DMG (10.4bn) in development costs is wasted annually through such duplication.

With Fraunhofer's help, the bank is producing a technology atlas on CD-ROM. This will carry details of research and technology institutes and companies, technology trends and financing programmes, with a regional handbook to help technology companies manage innovation, product development and marketing.

Why does such a large bank want to engage in small-scale financing which consumes so much time and effort, however promising the returns? Boehm-Bezing says venture capital is so underdeveloped in Germany that big banks must become involved. At a time of high unemployment and weak economic growth, the job-creating possibilities of small companies and the need for risk capital are receiving greater attention.

Specialised venture-capital companies - of which there are few in Germany - are rigorous in choosing investment targets. Deutsche Bank, with Fraunhofer

in a consultancy role, has also spent much effort on finding its first technology stakes. Since mid-1995, the bank and two new affiliated investment units - DGB (specialising in stakes in innovative companies) and DMBG (investing in Mittelstand, or medium-sized companies) - have been in contact with 480 firms.

These contacts have so far resulted in four minority shareholdings totalling DM7m and negotiations are under way with 11 others across the technology spectrum. The first stake was in Nupron, a biotechnology company producing proteins. Nupron is investing DM45m and creating 50 jobs. Deutsche Bank has also put technology-financing experts in its main branches to advise on loans to innovative businesses.

Such companies often find the going tough in Germany. Finding start-up and development funds can be difficult in a country so wary of risk. For investors, there is a lack of stock market exit possibilities to enable them to take profits on shareholdings in small companies.

"In a society that is bureaucratic, over-regulated and risk-averse - and our society is like that - it is very hard to make the mental breakthrough," says Boehm-Bezing. But he sees hopeful signs, both in the government's willingness to study the matter and the Frankfurt stock exchange's efforts to stimulate a market in small technology-related issues. He laments that the tax regime does not encourage wealthy investors or institutions to take stakes in young or start-up companies. "There are some business angels (entrepreneurs who provide venture capital) but we need many more."

Germany also lacks pension funds putting part of their investments into venture capital to enhance long-term returns. In the US, 61 per cent of venture capital finance goes into new technologies such as biotechnology, medicine, software and communications, says Boehm-Bezing. In Germany, the figure is a mere 7 per cent.

## BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Claire Broughton 0171 873 3234

Fax 0171 873 3064

Lesley Sumner 0171 873 3308

**COMMERCIAL PROPERTY COMPANIES AND PORTFOLIOS SOUGHT**

St Modwen Properties PLC is actively engaged in a programme of acquiring existing commercial property investments.

It is currently looking for multi-let retail, industrial office investments with lot sizes up to £20m, although larger acquisitions will be considered.

St Modwen is particularly interested in acquiring companies or trusts and can offer flexibility of payment terms to suit vendors.

Proposals will be considered in confidence and a rapid response will be made.

Please contact:  
P E DOONA,  
Finance Director  
St Modwen Properties PLC  
Lyndon House, 58/62 Hagley Road  
Edgbaston, Birmingham B16 8PE

**Singer & Friedlander Factors Limited**

Tailored working capital facilities.  
Immediate Response promised.  
Independent from UK clearing banks.  
Costs comparable with overdraft rates.

Singer & Friedlander Factors  
Where Tradition Comes of Age

Singer & Friedlander Factors Limited  
Easton House, Adnalls Way, London E14 9YX  
Telephone: 0171 515 9911. Facsimile: 0171 515 7404

**AUCTIONS**

2 Day Public Auction Sale  
Tuesday & Wednesday 18 & 19 June,  
machinery & equipment no longer required by

**NORTHROP GRUMMAN CORPORATION**  
Glen Arm, Maryland, USA

Aerospace Manufacturing Equipment  
including 30 Gunny & Bridge Type Profilers,  
6 CNC machining centres, hydraulic, lathe, mills, grinders, saws, drills,  
inspection and testing equipment.

View quantities of tooling  
for full colour brochure please contact

**NORMAN LEVY ASSOCIATES, INC.**  
COVENTRY, Telephone: 01203 652 277. Fax: 01203 652 278

**OFFICE EQUIPMENT**

**OFFICE FURNITURE**

Due to city bank order postponement we have a large quantity of quality executive and system ranges - conferences and receptions. Large choice of veneers: (Walnut, Rosewood, Ash etc.)

with discount of up to 40% from R.R.P!

London Showroom for viewing  
Please contact

**LINEAERO LTD** Tel: 01992 504530  
FREEPHONE: 0500 821565

**ENID BLYTON'S "FAMOUS FIVE"**

A new musical version for a tour of No.1 theatres in Autumn 1996 which may achieve a West End transfer.

**Will 'Five' get you ten?**

For details of how to invest in this production, please contact Dominic Bell, King's Head Theatre, 115 Upper Street, London N1 1QN. Tel: 0171 228 8561

Investment in the theatre is highly speculative. This advertisement has been approved under The Financial Services Act 1986 by a firm regulated in the conduct of investment business by The Law Society.

**Do You Have a Problem with your Small Lot Distribution?**

**Dynamic Company Seeking to Expand**

Technical orientated sales force. Expertise in service and distribution of industrial materials, chemicals and equipment to industry. Specialised knowledge of small lot distribution, central distribution, central position, excellent logistics - overnight service. Already distributing for major names.

We would like to talk to you. Responses to Box B4533, Financial Times, One Southwark Bridge, London SE1 9HL

**JAPANESE COMPANY**

expanding its European operations  
seek unique products for Japan  
market entry or ideas for new  
business development.

Confidential enquiries please: Write to  
Box B4538, Financial Times, One  
Southwark Bridge, London SE1 9HL

**COPEL**

**SALTO CAXIAS HYDROELECTRIC POWER STATION**  
IQUACU RIVER  
INTERNATIONAL COMPETITION C-302  
ISOLATED-PHASE BUSES  
CALL FOR BIDS

COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that an international competition is open for the supply of 4 (four) isolated-phase buses, 20.5kV - 60 Hz, three-phase, with all accessories for the Salto Caxias Hydroelectric Power Station, located on the border of Capão Leão, Paraná, Marquês and Nova Friburgo counties, in the State of Paraná, Brazil. The design, manufacture, shop tests, terminal and control boards, assembly and protective devices, transportation from the factory to the jobsite, erection and commissioning supervision are included in the scope of supply. This lowest price type international competition is open to individual companies and/or joint ventures.

The costs related to this supply will be covered by COPEL's own funds. The instructions to Bidders and the Contract Documents will be available to bidders from May 31, 1996, until the day before the documents delivery date, against payment in Brazilian currency of R\$ 150.000 (one hundred and fifty Reals), at the following addresses:

Superintendência de Obras de Gereção  
Rua Voluntários da Pátria, 233 - 17 Andar - Sala 504  
80020-000 - Curitiba - PR, Brazil  
Phone (55-41) 322-1212 Ext. 5541  
Fax (55-41) 321-8285

or  
Escritório COPEL / São Paulo  
Alameda Santos, 1800 - 14º Andar - Conj. 14B  
01418-200 - São Paulo - SP, Brazil  
Phone (55-11) 288-1431

At the time of purchase of the Instructions to Bidders and the Contract Documents, the company shall present a letter containing name and department of the person for contact, together complete mailing address, phone and fax.

The receipt of the Qualification Documents and the Price Bids is scheduled for August 07, 1996, at 2:00 pm, at COPEL's office meeting room, in Curitiba, 233 Voluntários da Pátria Street, ground floor.

The competition will be ruled by Brazilian Law no 8688, dated June 21, 1995, and by other conditions stated in the Instructions to Bidders and in the Contract Documents.

**VCR**  
1975

Seeking investment?  
Looking to invest?  
Equity Investment  
Workshops

A case study led by Lucius Cary

- Deal Structure
- Reconciling Interests
- Legal Agreements
- Post-Investment Issues
- Practical Issues
- Exit routes

"Essential to anyone building a business. I wish I had this report 20 years ago!" (Past attendee)

20 June - 18 July - 15 August  
Contact VCR: 01865 784411

**WELCOME TO MONTREUX VEVEY**  
Your Place of Business.

- Realisation and sale of property for client
- 5 years settled by 30 years
- Professional, confidential and completed at no charge
- Unsettled transfer of debt
- Security for family and business

For a copy of our introductory brochure: "Premier Client", write or call:  
Deputy Office for Regional Economic Development  
P.O. Box 1468, CH-1023 Montreux 1  
Phone: 4121/963 41 48, Fax: 4121/963 89 65

**Non-recourse Forfeiting**

Discounting of negotiable trade debt such as letters of credit, bills of exchange, promissory notes and bank guarantees. Short confirmation on foreign trade debt also available.

Domestic ledgers confidentially discounted for companies with a turnover of £500,000 (min).

**Gentry**  
Finance Limited  
Tel: 01283 550891  
Fax: 01283 550894  
(a member of the Gentry Holdings Group plc)

**INVESTOR WANTED**

Successful building materials company. Established 6 years. Seeks additional capital (cost be secured against property).

Write to Box B4538, Financial Times, One Southwark Bridge, London SE1 9HL

**CONTRACTS & TENDERS**

**EVERARDS BREWERY LIMITED**

NOTICE is hereby given that the transfer books and register of the 5% Cumulative Preference Shares of the above-named Company will be closed on the 18th June 1996, to facilitate the preparation of the accounts of the half-yearly dividend on the 30th June 1996.

By Order of the Board  
M A Newman,  
Financial Director & Company Secretary

**OFFSHORE COMPANIES TRUSTS FROM £225**

For brochure and investment advice contact:  
Pamela Zita,  
INTERNATIONAL COMPANY SERVICES (UK) LIMITED  
Standbrook House, 2-5 Old Bond St., London, W1X 3TB.  
Tel: +44 171 493 4244  
Fax: +44 171 491 0605  
E-Mail: uk-info@icsl.com  
http://www.icsl.com

**WORK FROM HOME**

- 6-7 hours per week
- Using Home Computer
- Proven Stock Market
- Full 3 years back figures
- Full training given
- Excellent After Sales Service
- Price £5000 Inc VAT

**INTERDATA**  
2nd Floor, Windsor House  
85 St. James's St., London SW1

For Free Information  
FREECALL 0500 827 533

**UNIT TRUST MANAGEMENT**

Majority interest available in expansion-minded unit trust management business. Funds are c.£7 million. Please write to Box B4543, Financial Times, One Southwark Bridge, London SE1 9HL

**BUSINESSES WANTED**

By experienced Buy in team Turnover £10-15m. Profitable business, underperforming. Preferred sectors: Retail, Food, Leisure, Printing, Packaging.

Please FAX outline details to: 0181 332 7647

**THE BUSINESS SECTION**

Appears Every Tuesday & Saturday.

To advertise please contact Lesley Sumner on +44 0171 873 3308 or write to her at  
The Financial Times, One Southwark Bridge, London SE1 9HL.

**Precision Components**

Manufacturer requires own product range. Possibly Under License

Contact: Versatex Ltd  
Fax 01753 580252

**TRAVEL NETWORK**

Rated No. 1 Travel Agency Franchise International Master Rights

375+ units in USA & 13 countries USA  
Tel: 201-887-8500 Fax: 201-887-4405  
Stephanie Abrams/Exec. VP Ext. 23  
Email: info@travnet.com  
Internet: http://www.travnet.com

**600+ LIVE BUSINESSES FOR SALE - MONTHLY Turnovers £100k - £1000k**

**Business to Business Bulletin**  
Phone: 0171 434 9392

# THE WORLD SHIPPING INDUSTRY

## Bright at first, but changeable later

Seaborne trade is booming, but strong cross currents will be felt at this week's world shipping conference in Athens, writes Charles Batchelor

Prospects for the world shipping industry should be bright. Seaborne trade is forecast to double over the next 15 years in response to growing consumer affluence and increasingly international patterns of manufacture.

Yet as the world shipping community meets in Athens this week for the biennial Post-Trade exhibition, which brings together shipowners, brokers, equipment suppliers and financiers, it will have a host of problems on which to brood.

A complaint in the UK and some other developed countries is that although shipping is a \$100bn industry worldwide, with a crucial economic and defence role, it is frequently taken for granted by governments and the general public.

It takes a tanker grounding on a sensitive shoreline or the sinking of a passenger ferry in European waters to focus attention on the shipping industry and then the interest is generally critical.

At the commercial level the industry is having to cope with over-capacity in several important sectors which is putting downward pressure on returns. At the same time, increased awareness of environmental and safety issues is pushing up costs. The traditional method

used to restrain unbridled competition - through "conference" agreements - is under attack by regulators. Yet attempts to liberalise shipping markets at negotiations under the aegis of the World Trade Organisation have been blocked by the US.

Coping with change has become a way of life for the shipping industry. Containers have revolutionised the general cargo trade while the mechanisation of port activities has cut turn-around times and improved profitability.

At the same time the large merchant fleets of the traditional sea-faring nations have declined to be replaced by much more diverse patterns of ownership. These include the fleets of the large, predominantly far eastern corporations and the single vessel companies owned by the Greek shipping community and others.

Making profits from shipping depends as much on currency movements and on timing expansion to catch growth in one of the industry's many subsectors and retrenchment to beat the downturns, as on the day to day business of running ships.

**B**uying and selling vessels at the right point in the cycle can often make the difference between a profit or a loss on overall operations. The large shipping companies frequently find it hard to justify their shipping activities using conventional yardsticks to their shareholders. Yet the private or family owner applies different financial ratios and can often do well in difficult markets.

Despite the low profitability of parts of the industry there is no shortage of capital to finance the acquisition of new or second-hand vessels. After a period of retrenchment banks have returned to the market for shipping finance in large numbers. Pressure on the margins on corporate lending generally means that relatively

good returns are available from shipping loans.

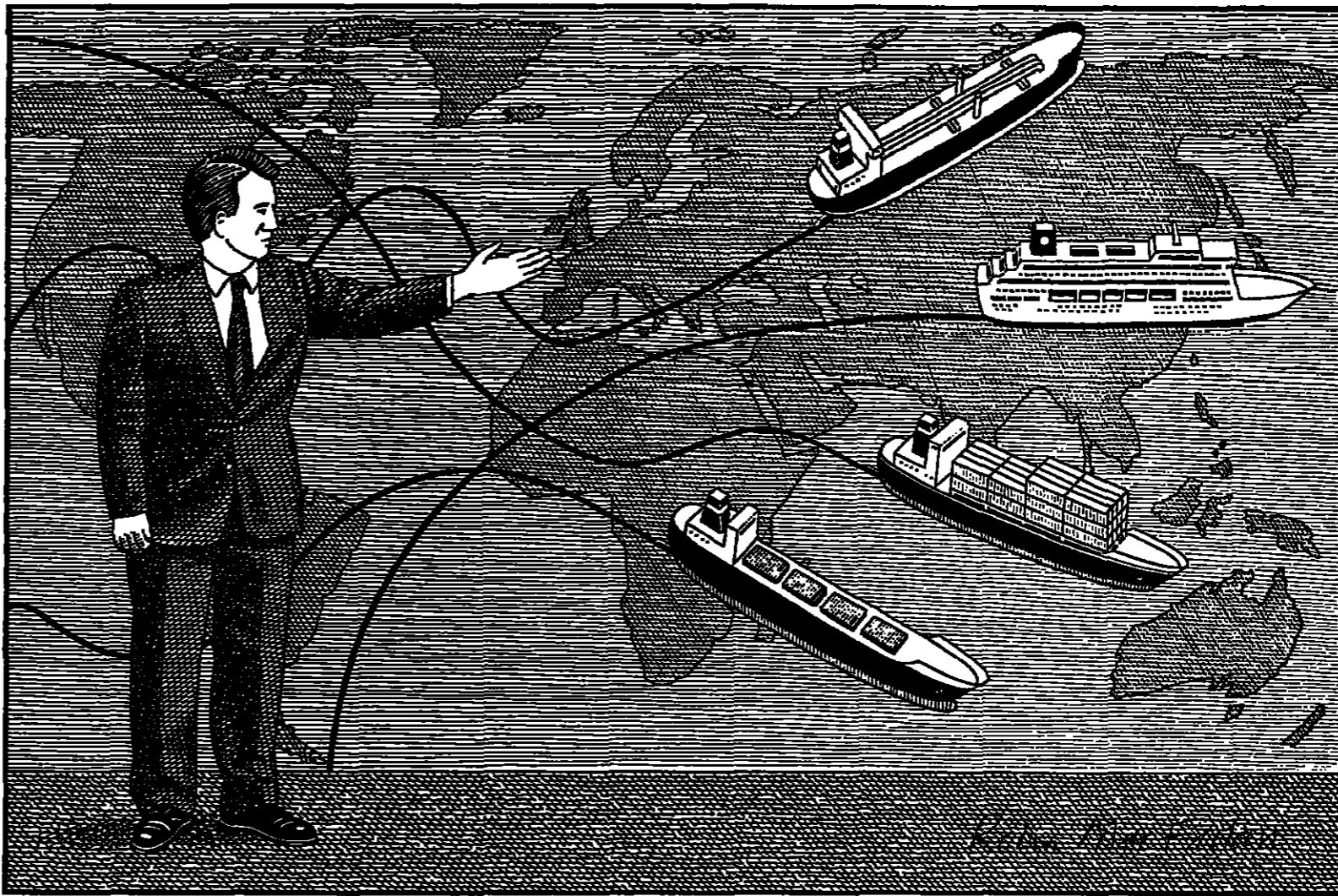
One of the most buoyant sectors for many years has been container shipping with recent annual growth rates of 9-10 per cent. This has been fuelled by the expansion of trading activity in Japan and south east Asia and the application of containers to a wider range of products, including many low-cost commodities.

But this growth in business volumes has been outstripped by the ordering of new and larger container vessels. The new ships are capable of carrying up to 6,000 containers each but are unlikely to find full employment in the near future. Many of the larger container groups have formed alliances in order to plan their timetables more cost-effectively and share expensive terminal facilities. The alliances do not involve price-fixing arrangements and have thereby avoided the difficulties associated with the traditional conference arrangements.

The tanker market has been more subdued reflecting low levels of increase in oil consumption around the world and the growth in the role of North Sea production and other "short haul" areas. Growth rates are likely to remain low until demand for Middle East oil, which must be shipped long distances to consumers, picks up again. On the positive side for profits, the scrapping rate of elderly tankers has exceeded new deliveries for the past two years and a further contraction of the tanker fleet is expected, according to a recent review by NatWest Securities.

Demand for dry bulk carriers, which move cargoes such as coal and ore, has been strong but so has the rate of ordering new vessels and returns in this sector are likely to remain depressed.

In the passenger shipping sector, cruise ship owners have been ordering massive new cruise liners including P&O's



Flagship Oriana and Carnival Corporation's Carnival Destiny in anticipation of further expansion. Substantial growth will depend on making cruising more of a mass market holiday in Europe and in developing the markets of Japan and south-east Asia.

The north European ferry market, meanwhile, has been thrown into turmoil by the opening of the Channel tunnel. The initial response of the ferry companies has been to increase capacity in a struggle for market share but rapid retrenchment is expected as the costs of this strategy mount.

The ferries, and other shipping sectors, are also having to adjust to tougher safety regula-

tion. The sinking of the Estonia in the Baltic in September 1994 with the loss of more than 900 lives has led to a tightening of ferry safety standards in north-west European waters and ferries will be required to fit partitions or bulkheads on the car decks or instal additional buoyancy aids. Cruise liners meanwhile have been required to meet far tougher fire-resistance standards while tankers have been made subject to tighter environmental laws following the grounding of the Exxon Valdez off the coast of Alaska in 1989.

For an industry as international as shipping, the best response to such disasters is to agree a set of standards which will apply around the world.

The London-based International Maritime Organisation, a United Nations agency, has produced a raft of valuable regulations over the past three and a half decades. But it relies on reaching consensus and even when new rules are agreed it can take years for governments to enforce them.

The US government's response to the sinking of the Exxon Valdez by-passed international procedures and imposed a burden on the tanker industry which many operators felt was unduly harsh. The Oil Pollution Act of 1990 has undoubtedly kept some sub-standard vessels out of US waters but by requiring tanker owners effectively to insure against unlimited liabil-

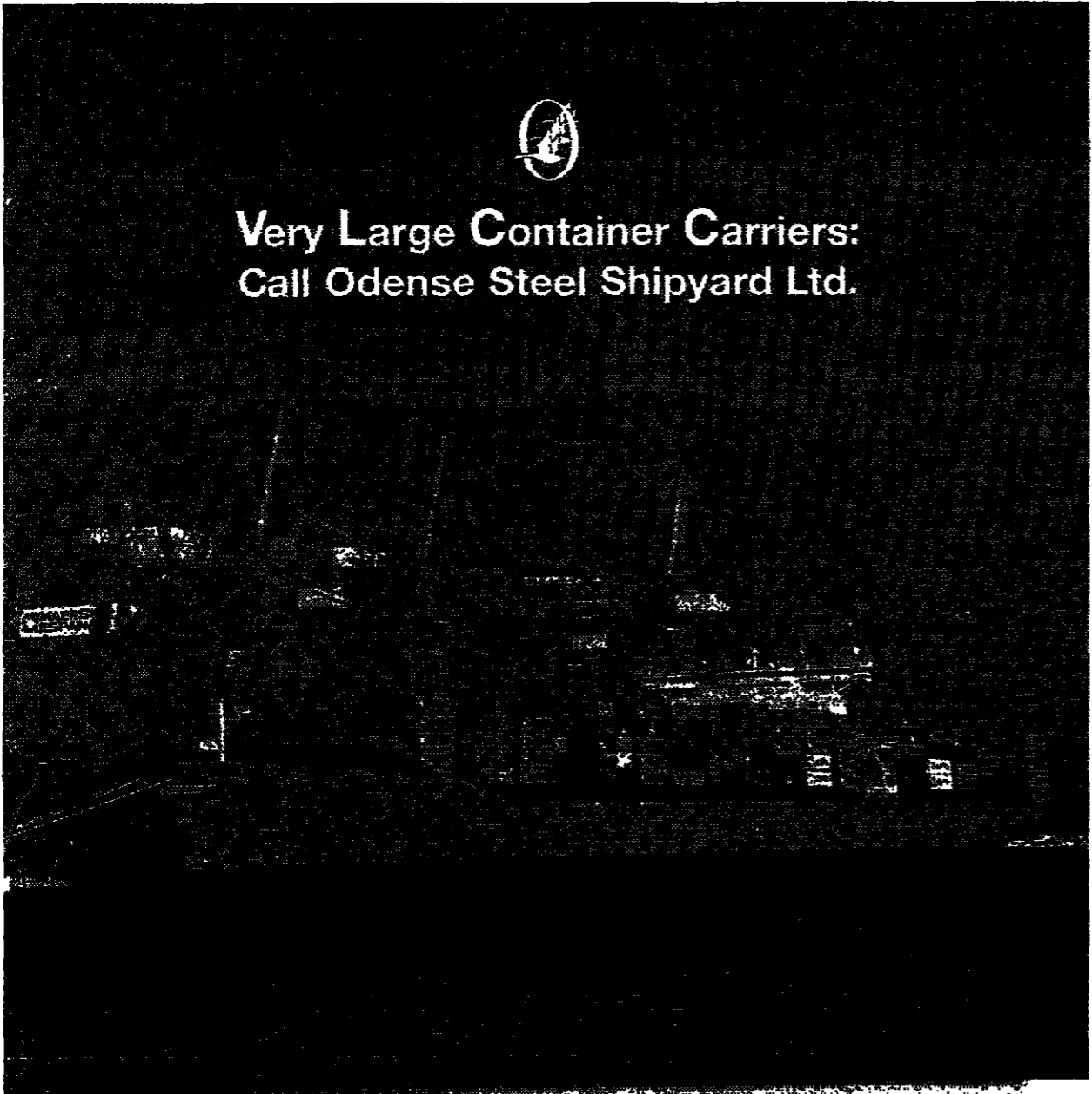
ities has put a heavy cost on the industry generally.

The counterpoint of tighter regulation of matters such as safety is a greater liberalisation of the markets in which shipowners operate. But it has proved remarkably difficult to put together an international agreement to open up the shipping sector. Negotiators have spent the past two years attempting to reach an agreement on liberalising world merchant shipping within the framework of the World Trade Organisation. Shipping had been dropped from the original Uruguay Round of trade talks which were concluded at the end of 1993 to avoid delaying a general trade agreement.

But it has proved just as difficult to do a deal within the WTO. The US has been widely blamed for failing to table new proposals following the withdrawal of the modest offer made during the Uruguay Round. In an election year and faced with pressure from its maritime unions the US appears reluctant to act. Some observers say that commercial pressures have already opened up the shipping market and that a formal trade agreement would make little difference but others are keen for liberalisation to be given official backing. It would be ironic if an industry which depended on the free flows of world trade was unable to devise its own liberalised framework for doing business.

from the Bank  
bank is...  
Andrew Fisher

EQUIPMENT  
FURNITURE  
TS & TENDERS  
COPE  
WESS SECT



Very Large Container Carriers:  
Call Odense Steel Shipyard Ltd.

### "Regina Mærsk"

Delivered by Odense Steel Shipyard Ltd. in January 1996.

Loa .....	318.20 m
Bm .....	42.80 m
D,max .....	14.00 m
Container Capacity .....	6,000 TEU
of which reefers .....	700 TEU
Main Engine MAN B&W 12K90MC .....	74,640 BHP

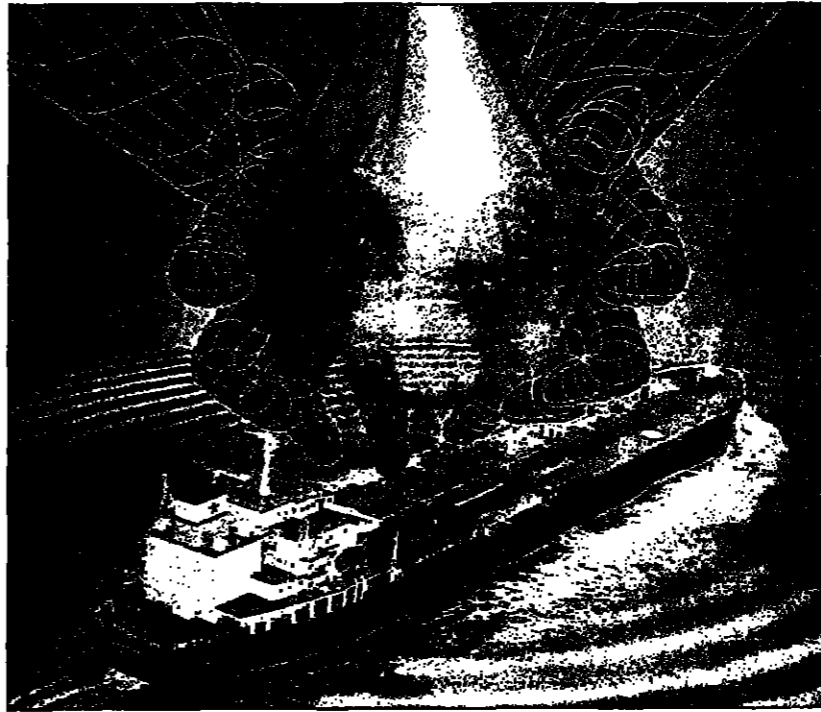
**Odense & Lindo**

Odense Steel Shipyard Ltd.

RO. Box 176, DK-5100 Odense C, Denmark. Phone: +45 85 97 44 44. Telex: 58848 varit dk  
Telegrams: stanvarit Odense. Telefax: +45 85 97 88 13

THE S.P. MOLLER GROUP

## The New Frontier



Moving products safely to feed and fuel our expanding world is a demanding task.

At Eletson, we seek to provide a high quality, competitive and environmentally secure transportation service to our customers.

Eletson is today in the final stages of a billion dollar newbuilding program. The complex assortment of financing structures propelling the company forward demand a strict corporate discipline.

The skills required to establish this new frontier provides Eletson's clients with a level of service and a modern fleet of vessels that meet the highest industrial standard.

Another way Eletson is the quality standard into the next millennium.



The Quality Standard into the Next Millennium

Eletson Corporation  
Piraeus +30 (1) 428-2300 London +44 (171) 353-0555 Stamford, CT (203) 327-4134

## II THE WORLD SHIPPING INDUSTRY

■ Ferries: by Geoff Dyer

# Fast cats are on the prow

While older vessels are being made safer, aluminium catamarans are all the rage

When Sea Containers, the property and transport group which owns Hoverspeed, introduced the first high-speed ferry on to the UK market in 1990, the reception was not overwhelming. Passengers complained that the new ships gave them terrible sea-sickness.

Six summers later and high-speed ferries are all the rage and are being introduced on a range of routes around the country. In April, Stena, the world's largest ferry operator, introduced the Explorer on to the Irish Sea. By the end of this year, nearly half of its UK fleet will be high-speed ferries.

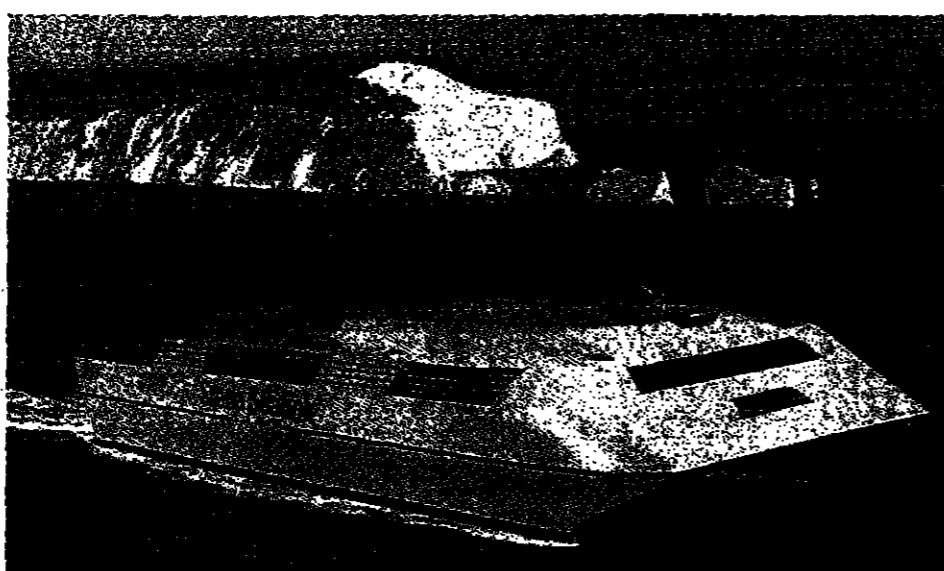
This summer will be a crucial test for the new ferries to see if they have properly overcome those teething problems and to assess whether they will have the revolutionary impact on the industry that their supporters claim.

Powered by up to four gas turbine engines, and backed by 100,000 horse power, these new aluminium-hulled vessels travel twice as fast as conventional ferries. Yet they are much larger than hovercraft, some of them carrying up to 1,500 passengers and nearly 400 cars, the same as the largest conventional ferries.

"They have all the flexibility of a multi-purpose ferry, but go at double the speed," says Stena.

Not everyone in the industry, however, is gushing with enthusiasm about the new craft. P&O European Ferries, alongside Stena the largest operator in the country, has taken a much more relaxed attitude.

P&O has chartered its first



Bigger and faster: artist's drawing of the new Stena HSS, five times bigger than the largest high-speed ferries.

fast craft for the Cairnryan-Larne route which will commence sailings in June. But Mr Graeme Dunlop, chairman of P&O European Ferries, says that he is waiting to see what response the new ferries get before chartering any more. "We would rather be second than be a pioneer," he says.

And unlike Stena, he says he does not believe that there is a place for the high speed ferries on the high-profile Dover-Calais route.

This difference in opinion strikes right at the heart of the design of the ferry industry. To Stena, the introduction of the faster ferries on the shorter Channel crossings is an essential component in its strategy to deal with competition from Eurotunnel, which carries cars and passengers across the Channel in a third of the time.

"Increasing the speed of our service is a key part of replacing the attraction of on-board duty-free sales when they expire in 1999," says Stena.

However, according to P&O,

speed is not crucial on the Dover-Calais route. "There have been faster craft on the Channel for 20 years in the form of hovercraft, and 94 per cent of travellers have still preferred to go on conventional ferries," says Mr Dunlop.

Ferries are now "floating supermarkets", he says, selling clothes, compact discs and gifts, not just duty-free. The faster craft will not give passengers enough time to do some shopping on a Dover-Calais trip, he argues. There is no consensus on what is the best design either. Sea Containers

pioneering vessels were catamarans built in Tasmania by Incat. Stena's high-speed crafts are also twin-hulled.

However, Sea Containers has recently put in a \$200m order for six new ships, all of them monohull - the first two are now under construction at Fincantieri in Genoa. It says the monohull craft are slightly faster and are cheaper because they use less aluminium. P&O has followed suit, opting for a

monohull ship. The high speed ferries do not come cheap - Stena is paying around £55m each for its new vessels. And they are being introduced at a time when operators also face the cost of complying with new safety criteria for roll-on, roll-off ferries, which were prompted by the 1994 sinking of the Estonia in the Baltic with the loss of 900 lives.

The ferry companies expect to hear shortly from the Department of Transport what the exact timetable will be for implementing the new standards, which could cost several million pounds for some ferries.

Despite the Estonia tragedy, an agreement on safety improvements was a long time in coming. Last November a conference of the International Maritime Organisation, a United Nations agency, failed to agree on more stringent rules after several southern European countries argued that the calmer Mediterranean waters did not require such

strict safety standards.

As a result seven north European countries negotiated their own agreement - the so-called Stockholm rules, after the city where the talks were concluded. The agreement affects all ferries on international routes in north-western Europe.

The new rules require that roll-on ferries should not capsize even if they have up to 50 centimetres of water on the deck. As a result some ferry operators will be required to install new bulkheads, or partitions, on their ships.

The Estonia and the Herald of Free Enterprise, which sank off Zeebrugge in 1987 with the loss of 138 lives, both capsized rapidly after water poured on to their decks.

The Stockholm rules do not have to be fully applied until 2002. However, implementation will be staggered with the worst ships being required to abide by the new rules first. Ferry companies are currently tank-testing their fleets to see which ships will need modifications, and it is expected that the older vessels will be affected the most.

Until the tests have been completed and the timetable published, the ferry companies will not fully know the cost of applying the new rules.

The large UK ferry companies said throughout the negotiations that they would comply with whatever was agreed. They were suspicious that French ships would not be required to abide by the same rules, but a compromise was later agreed.

The November IMO conference was not totally fruitless, however. It was agreed that the so-called Solas '90 safety provisions, which relate to ship stability, should be applied throughout the world ferry industry, and not just the ships built after 1990, as had been previously decided.

■ Shipbuilding: by Stefan Wagstyl

# Europe's yards put value before volume

Old European shipyards are beating an untidy retreat before tough Asian rivals

The bankruptcy this year of Bremer Vulkan, Germany's biggest shipyard, has shaken world shipbuilding.

The collapse of the 102-year-old company highlighted the severity of competition among shipbuilders, and the extent to which once pre-eminent European yards are losing ground to their rivals, principally in Japan and South Korea.

The South Korean yards are expanding capacity in the hope of winning market share and establishing themselves as the world's top producers.

But their ambitious investments are helping to extend the chronic over-capacity which has dogged the industry since the 1970s. As a result, prices and profits for most shipbuilders remain under fierce pressure - with the exception of some specialised markets such as cruise liners.

There is so much over-capacity that even the prospect that the world's ageing tanker fleet, much of it built before 1980, will soon need replacement has yet to have a significant impact on shipbuilders' prices.

Drewery Shipping Consultants of London forecasts that while annual world shipbuilding revenues are likely to rise by 35 per cent by the year 2000 the outlook for shipbuilding is "uncertain and in some cases bleak". It says in a report published last year on prospects for 1995-2000: "Large and potentially massive overcapacity combined with persistent interference in the market in the form of government subsidies means that revenue will be spread thinly, presenting huge problems to the viability of many yards."

Analysts estimate that the world's shipyards can produce about 90m gross tons a year but are building only about 25m. Moreover, the Korean yards' expansion plan envisages increasing their capacity by more than 8.5m to over 7m. Even the fact that a previous surge in investment in the 1980s brought the South Korean industry into serious financial trouble and the need for a government rescue does not seem to have robbed the country's yards of their aggressive pursuit of business.

Japanese companies are responding to the pressure by trying to retain market share, despite the ferocious squeeze on margins. In the year to

March, Japanese yards received orders for 10.2m gt, the second successive year when the total exceeded 10m gt. Even though the yen's recent fall from about ¥80 to the US dollar to above ¥100 has made life slightly easier, yards are still having to cut costs to win orders. Ishikawajima Harima Heavy Industries this year announced plans to reduce its shipbuilding workforce by 500 to 1,900.

Meanwhile, Sasebo broke an agreement dating back to the Second World War under which it serviced US navy vessels for nothing. The company said it could no longer afford this diplomatic luxury.

To try to secure their

European shipbuilding has fallen since 1975 from 450,000 to under 120,000.

European yards have countered the east Asian challenge by pulling back from making the large tankers and dry-goods carriers at which the Japanese and Koreans excel. They have focused instead on high added-value vessels such as gas and chemical carriers, ferries, and, above all, cruise ships. These account for only about 10 per cent of the market by weight, but they make up about a third by value.

But the attachment of governments to national shipyards has prevented Europe's shrinking share of the market from being properly distrib-

Completions by principal shipbuilding countries ('000 gross tons)

Country	1990	1995
Brazil	235	172
China	406	794
Denmark	685	488
Germany	408	1,003
Finland	256	317
France	674	1,121
Italy	282	288
Japan	6,662	8,283
S. Korea	3,440	6,284
Netherlands	190	205
Poland	141	524
Romania	175	228
Spain	267	251
UK	127	120

Source: Lloyd's Register of Shipping

long-term future, yards are buying increasing amounts of components from overseas and signing work-sharing partnerships with yards in low-cost countries, notably China. Japanese companies are also refining their legendary skills in man-management, recruiting more qualified young graduate engineers to counter the fact that the bulk of the industry's experienced workers is edging closer to retirement.

European yards have found it more difficult than the Japanese to compete with South Korea. Bremer is not the only European yard under pressure. Last year, Denmark's oldest yard, Burmeister & Wain, went into receivership after 152 years. Greece is struggling to find a buyer for the state-owned Ioannina Hellenic Shipyards, the largest in the eastern Mediterranean. Madrid is facing difficulties restructuring Astilleros Españoles, the state-owned yards which have run up accumulated losses of about \$30m (£19.4m).

Despite the taxpayers' money poured into the industry, western Europe's share of the world's capacity has fallen from nearly 40 per cent to under 20 per cent in the past two decades. Job cuts have been harsh: employment in

used among the most efficient producers. Despite efforts by the European Commission over 10 years to reduce subsidies, governments have successfully secured exemptions from subsidy limits, notably in Spain and Portugal and most recently in eastern Germany.

The proliferation of subsidies has kept yards in business and workers employed, but it has created a fragmented and uncompetitive industry. While South Korea has five big producers and Japan eight, Europe has a score of national operations. Size matters because a big yard is better placed to secure a flow of orders for similar vessels, so cutting design and engineering costs and allowing for efficient yard management.

Commission officials argue that as long as other countries - including South Korea - subsidise yards through cheap loans and other techniques, the temptation will persist in Europe. They say that Europe will abide by a planned international agreement outlawing subsidies which has been negotiated under the auspices of the OECD. This is due to be implemented this summer but at the time of writing was being held up by delays over its ratification in the US.

## Ferries rule the waves where the British sun never set

You don't have to be British to fly the flag. The Union Jack is boldly emblazoned on the hulls of a fleet of US-owned catamarans which dash between Seattle and Victoria, capital of British Columbia.

They are run by Seattle-based Clipper Navigation company founded 10 years ago to provide rapid round-the-year service between the two north-west Pacific coast cities.

Paradoxically, though, one of the company's recent anxieties has been that the squeeze on European ferry companies following the opening of the Anglo-French Channel Tunnel could cut the price of ferries, and tempt newcomers into the busy sea lanes of the north-west Pacific.

Clipper Navigation is one of seven ferry companies which operate in and

out of Vancouver Island, including Victoria, the island's biggest city. They compete not only with each other but increasingly with operators of fixed-wing aircraft and helicopters, mainly to Vancouver, BC's biggest mainland city.

In the second quarter of last year, ferry traffic in BC rose 5 per cent, including 3m passengers on the main Vancouver Island routes. It has continued to rise as Americans take advantage of the cheap Canadian dollar.

BC Ferries, the government operator of big car ferries between the Canadian mainland and Vancouver Island, has recently ordered three fast catamarans at a total cost of \$210m. The 1,000-passenger, 250-car vessels, the first of which is due to enter service next year, will cross the 32 nautical miles of

the Georgia Strait between Vancouver's Horseshoe Bay and the island in just over 60 minutes instead of 90.

Clipper Navigation, which operates smaller, passenger-only catamarans from Seattle to Victoria and the San Juan Islands, is also expanding. It has added a fifth vessel and doubled the power of another by changing from diesel to gas turbine engines. This, claims Clipper, makes it the fastest passenger ship in the western hemisphere with a top speed of 45 knots (83 mph), reducing the Seattle-Victoria run from 2½ to 1½ hours.

BC Ferries' new vessels, which will have aluminium hulls, are to be built by a consortium of Vancouver shipyards with assistance from Finyards of Finland, which recently built an even bigger high-speed

aluminium catamaran for Stena of Sweden.

Clipper's prominent use of the UK flag is motivated as much by self-interest as sentiment. Since it is also incorporated in the flag of British Columbia, US visitors to Victoria, that quintessentially British city, could be mistaken for thinking they are visiting the real thing.

At Victoria's city-centre harbour they disembark under the shadow of the province's imposing Edwardian parliament building and the vast Empress Hotel whose afternoon and high tea ceremonies would be more appropriate in Bournemouth, or Tisbury Wells - before the sun set on the British Empire.

Maurice Samuelson

■ The role of London: by Charles Batchelor

# Under siege on the River Thames

London must do more to retain its international preeminence as the industry's focal city

The decline of the British merchant fleet has prompted fears that London's pre-eminence as a shipping centre could be endangered. Two recent reports have highlighted this issue, one identifying a drop in real terms in London's shipping earnings and the other pointing to potential threats to its position.

Many of those involved in shipping fear that if the supply of experienced British ship captains dries up then specialist sectors such as the classification societies, which carry out technical inspections, would have difficulties recruiting people with the right skills. Training colleges, meanwhile, report a shortage of suitably qualified trainees.

Efforts by the shipping industry to win concessions from the government in its treatment of the British fleet have had little effect despite the relatively small sums involved. While the government looks the other way,

shipowners continue to move registration of their vessels and their crews offshore.

In 1928 the UK merchant fleet comprised more than 19m gross tons or nearly 31 per cent of world fleet. In absolute terms the tonnage figure held steady until the late 1960s when it increased to peak in the mid-1970s and then fell back. By 1993 the UK registered merchant fleet was just 6m deadweight tons. The UK-owned fleet fell to just over 13m dwt in 1993 or 1.9 per cent of the world fleet.

The city's earnings from maritime related activities, such as ship-broking, legal ser-

vices and banking, fell sharply in the decade to 1994, according to a study published in March by the Chamber of Shipping. Total maritime service earnings, including those from the troubled Lloyd's insurance market, fell by £300m from £1.28bn to £980m over the 10-year period. This was a decline of 260m or 53 per cent after excluding the impact of inflation.

Even assuming that Lloyd's earnings had recovered to their 1984 level, this would still only produce a 1994 earnings figure of about £1.5bn, a decline of 37 per cent in real terms. The chamber, which repre-

sents shipowners and managers, was unable to establish a direct link between the contraction of the UK merchant fleet and the decline in maritime services. But Mr Mark Brownrigg, policy director, points out that other centres where shipping activities have declined, such as New York, have seen a parallel decline in services. Others, such as Singapore and Cyprus, where physical activity has increased, have seen a growth in services.

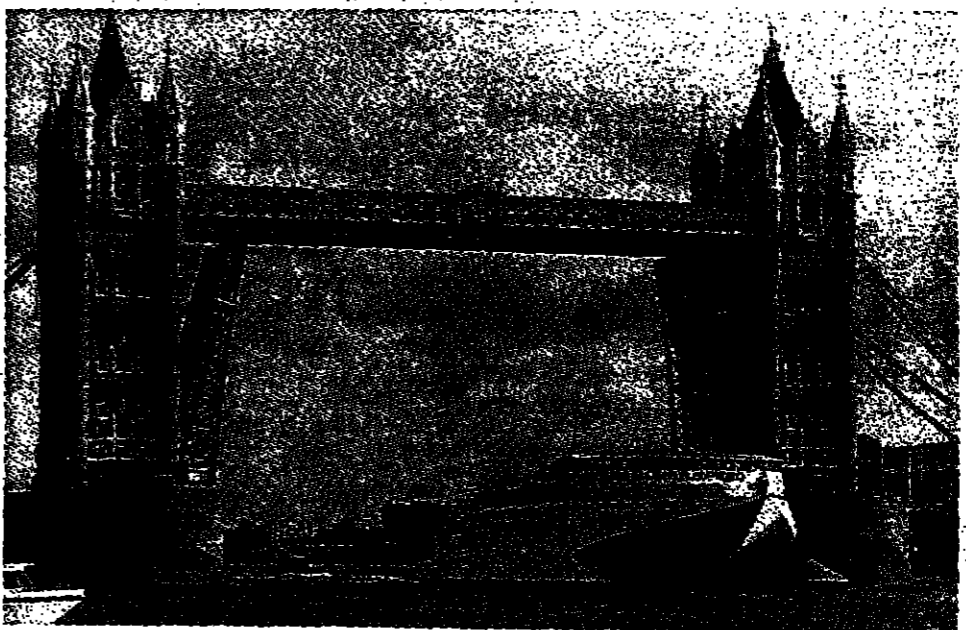
The chamber's survey showed that the financial services sector, including banks, finance companies and equity providers, had suffered the most marked decline, from £377m in 1984 to £166m 10 years later.

In contrast, legal services, up from \$88m to £126m, had experienced the strongest growth. The decline in the banking sector was due in part to both UK and foreign banks carrying out more shipping business outside London.

An earlier study, carried out by London Business School for the Corporation of London, provided less financial detail but was more thorough in its analysis of the problem. This report, published in October 1994, found that London's shipping markets - for marine insurance, ship broking and ship finance - had maintained their position because of their liquidity and expertise. The combination of shipping services meant deals could be concluded in one centre.

Established markets can sustain their position against newcomers because the breadth of services available is difficult to replicate, the study found. London's established reputation also played an important role in attracting business.

The size of the marine insurance market meant risks could be priced competitively and a good service offered in terms of claims handling and the diversity of risks accepted. How-



Tower Bridge salute: Hoverspeed Great Britain visits London after crossing the Atlantic in record speed

ever, the poor financial performance of the sector in recent years and strong competition from continental European reinsurers could threaten London's position, the report concluded.

The shipbroking sector, meanwhile, depends on the efficient distribution of information. Brokers traded information about recent transactions which allowed them to establish trends in market prices. Despite the decline of traditional meeting places such as the Baltic Exchange and the growth of electronic methods of distributing data, personal contact remained important. In a market where prices are often far from transparent shipowners and charterers must have confidence in the brokers' ability to determine prices accurately.

But London's advantage in shipbroking also depends in part on the presence of a large number of foreign owners, principally the Greeks, who are sensitive to changes in the tax regime. There is a large community of international banks in London providing loan

finance but a shift to bond offerings could make the US relatively more attractive while the Oslo stockmarket had increased its share of equity listings.

The financial and other pressures on shipowners to move their fleets and crews away from relatively high-cost centres such as London are very strong. P&O Containers decided last December to move five of its 27-strong fleet from the British to the Bermuda flag and to replace 90 British ratings with Filipino crew.

This decision was followed quickly by an announcement that Royal Dutch Shell, the Anglo-Dutch oil group, was to transfer the employment contracts of 1,000 British, Dutch, French and German officers on its 64-strong tanker fleet to Singapore as part of a programme to reduce operating costs by 40 per cent.

The Chamber of Shipping and Nutsant, the union representing ship's officers, have called for British shipowners to be given the same treatment as many foreign rivals in areas such as training support, tax-

ation and insurance premiums. The chamber lobbied unsuccessfully in advance of the November 1995 budget for the government to waive National Insurance contributions for British seafarers, a step which would save the industry £17m a year. "If shipowners move ships or crew contracts abroad then the government loses the insurance contributions anyway," says Mr Andrew Lintford, Nutsant spokesman.

The Shipping Industry argues that it deserves a break, both to bring it in line with foreign competitors and because of the uniquely mobile nature of its business and its assets. Ships can be operated from ports and offices anywhere in the world and will move if conditions are more attractive elsewhere.

The government has made concessions, in the shape of roll-over relief on ship sales and purchases and an easing of the need for registry with the British flag. But the industry remains fearful that London's financial position will be further eroded unless more effective action is taken.

## ACCESS OCEANS OF SHIP MANAGEMENT INFORMATION FROM ONE INTEGRATED NETWORK WITH SAFENET.

Now there's a way to help you better manage your ocean-going vessels. It's called SAFENET™, a life-cycle ship management and information network, from ABS. Easy-to-use SAFENET is PC Windows-based with controlled selective access that makes the complex job of managing your ships easier and more efficient from your office or shipboard. SAFENET's unique modules can be tailored to meet your requirements. The first module, available now, includes advanced on-line access to Survey Status database, ABS design documentation, ABS and industry publications and directories in addition to statutory requirements and port state control check sheets.

The second module will include hull and machinery planned maintenance programs as well as on-line storage of ship drawings, gaugings, condition photographs and a SAFEHULL™ structural evaluation. Future modules will incorporate developing technologies.

For more information, call ABS and ask about SAFENET today.



New York (212) 839-5000 FAX (212) 839-5130 • London (44-171) 247-3255 FAX (44-171) 377-2453  
Singapore (65) 276-8700 FAX (65) 276-8711 • Houston (713) 873-0700 FAX (713) 874-9551  
Piraeus (30-1) 429-3215 FAX (30-1) 429-3659

■ Safety and environment by Charles Batchelor

# Danger in numbers

Safety at sea is not helped by the sheer profusion of official agencies and national registers

Governments and the world shipping community have given a high priority to preserving life and protecting the environment in recent years. Bookshelves of international and national regulations have been written but the roll call of groundings and sinkings continues to lengthen.

The Estonia, the Sea Empress, the Exxon Valdez and the Derbyshire. Each loss has prompted a frenzy of activity among governments and the organisations responsible for maritime safety. But the diversity of the world's shipping fleet and the financial pressures on ship owners mean that watertight regulation is difficult to achieve.

The International Maritime Organisation, the London-based United Nations agency responsible for co-ordinating global efforts to raise safety standards and prevent pollution, has committees in almost constant session. But its efforts are hampered by the need to achieve consensus and the conflicting priorities of its 153 members.

"Although a great deal has been achieved during the last 36 years [the IMO was established in 1959] shipping safety is still a major concern and the oceans are far from clean," Mr William O'Neil, IMO secretary general, wrote in the International Chamber of Shipping's 75th Anniversary review published last month. Despite the fact that the IMO had adopted more than 40 different treaties covering 98 per cent of world shipping, accidents still occurred, he noted.

"There is no doubt that standards do vary and some owners care more about safety than others. I believe that we need to make safety and the protection of the environment part of the culture of shipping. They must be made priorities, not afterthoughts."

The main problem facing IMO is persuading governments to implement new regulations once they are agreed. Even relatively simple improvements can take time to be adopted. A scheme to provide every ship with a unique identification number which was due to take effect last January has still not been acted upon by many governments and shipowners. Mr O'Neil warned in March.

This scheme, first introduced as an IMO recommendation nine years ago, would allow a ship to be identified no matter how many times it changed owner, flag or name. "The scheme is extremely simple, involves no cost for the industry and yet promises to be extremely effective in improving safety and combatting crime at sea," Mr O'Neil said.

Despite proposals from some governments, including Britain, for a more considered approach to assessing risk, the shipping industry, like many others, is normally prompted



Questions to answer: spraying dispersant on the UK's latest big oil spill

last February seven north European countries agreed to apply the tougher standards by 2002.

Tanker safety has been under almost constant discussion since the grounding of the Exxon Valdez off the coast of Alaska in 1989. Two subsequent groundings in British waters - the Braer off Shetland in January 1993 and the Sea Empress in the entrance to Milford Haven harbour last February - reinforced the urgency of improvements.

The Exxon Valdez prompted a radical tightening of US regulations covering tanker shipments under the Oil Pollution Act of 1990. This laid down requirements for the phased introduction of double-hulled tankers and imposed stringent liability standards, and hence extra costs, on shipowners serving US ports.

The Braer sinking led to the commissioning of the Donaldson report by the British government. Lord Donaldson made more than 100 recommendations including a more rigorous system for inspecting ships on arrival in port, improved exchange of information between charterers, insurers and the regulators to identify substandard ships, and the positioning of powerful tugs around the coast to help ships in trouble.

It was the government's failure to agree to the positioning of a tug in the western approaches to the English Channel which led, in the view of some observers, to the loss of a large part of the Sea Empress's cargo of oil. Others blame the fact that the vessel had one and not two hulls though an official investigation is continuing.

Intertanko, the organisation of independent tanker owners, says it is not just the shipowners who are at fault when

pollution occurs. It criticised governments for failing to introduce traffic separation systems near busy ports and for failing to install shore-based beacons which could locate vessels.

The safety of bulk carriers has been the subject of controversy following the loss of the Derbyshire in a typhoon in 1980 with the loss of its entire 44-strong crew. The discovery of the vessel, under nearly three miles of water off Japan in 1984, raised the prospect that more would be learnt about its fate. But the view has strengthened in recent years that the design of large bulk carriers failed to keep pace with the increase in size of these vessels.

The IMO last month began consideration of placing limits on the use of older bulkers for the carriage of very heavy cargoes. A problem which has bedevilled improvements in shipping safety has been the large number of organisations involved. A ship may be owned, chartered, crewed, registered and surveyed in five different countries, blurring the lines of responsibility. The large fleets once owned by the traditional maritime nations have given way to single vessel companies registered with a flag of convenience and sometimes manned by a polyglot crew with no common language between them.

The growth of the flags of convenience has raised questions about the ability of countries such as Cyprus, Honduras, Malta and Panama effectively to regulate the ships nominally under their control. These four countries, with St Vincent, all had losses at or above the international average in 1995, according to the Institute of London Underwriters.

Competition between the different registries is forcing the laggards to raise their standards but there is still a long way to go. Dissatisfaction with the supervision exercised by the flag states has led to a growth of port state control treaties. Vessels are now subject to controls in many ports and run the risk of being held if their equipment or crew do not meet the required standards.

Increasing pressure is also being brought to bear on the classification societies which carry out technical inspections of ships when they are being built and once they are in operation. The societies have been criticised for failing to impose strict enough standards for fear of losing business to less demanding competitors.

The 11 societies grouped in the International Association of Classification Societies, responsible for more than half the world's fleet and 90 per cent of its cargo-carrying tonnage, responded last July with a seven-point plan to tighten their rules. These included the automatic suspension of a vessel's classification certificate if the owner failed to carry out the regular five-year survey and a bar on a vessel switching societies until all overdue repairs had been carried out.

■ The maritime power of Greece: by Nigel Lowry

# Hellenes' thousand ships

National traditions explain why Greek owners control half the European Union's merchant fleet

Fifty years after Greece rebuilt its ravaged fleet from 100 American surplus war cargo ships, its shipping industry appears to be on the crest of a wave.

Since 1989, Greece has controlled the largest merchant fleet in the world and has been expanding it every year. In April, it reached an aggregate of 130m deadweight tons, or more than 16 per cent of all cargo-carrying capacity afloat.

It is hard to explain other than by tradition why a country with little other clout in international business should be such a power in this highly difficult and capital intensive industry.

"Our success is due, we believe, to our accumulated know-how and experience and our full adherence to the laws of supply and demand," says John Gouras, president of the Union of Greek Shipowners. According to a leading London shipbroker, "Greeks often have the vast technical experience to purchase ships which others would struggle to operate and they are frankly way ahead in terms of looking after their ships properly."

This may explain why the Greek-owned fleet is so large and on average three years older than the international norm.

Meanwhile, though, the industry is being rejuvenated from within as new shipowners emerge, blending the hands-on wisdom of their fathers with literacy in modern business techniques.

According to shipping bankers, Greece's maritime community which is spread between Piraeus, London and the US and Switzerland, has anything between \$40bn and \$70bn in reserves. Much is said to be in the hands of older shipping families who have been less active than in the past but might be persuaded to jump in with both feet if freight rates reversed their decline and the price of vessels fell.

Admittedly, there are some clouds on the horizon. There are plenty of complaints about the tide of international and unilateral legislation which has swept the industry. Backlogs were raised in Piraeus, for example, by the introduction of a worldwide international safety management code, which will shortly become mandatory for all managers of ships. Despite a subsequent relaxation of Greek reaction, only 1 per cent of companies which have so far satisfied the code's requirements are Greek.

Shipowners have few complaints, however, about their treatment in Greece itself where they have enjoyed offshore status for more than three decades. The main levy on the industry is a flat, reasonable tonnage tax, which is only applied to Greek-flag vessels.

Consequently, the main talking point

between owners and government concerns ways of tempting ships back to the home registry which, even though it has lost about 55 per cent of Greek-controlled shipping, is still large enough to account for about half of the EU-registered fleet.

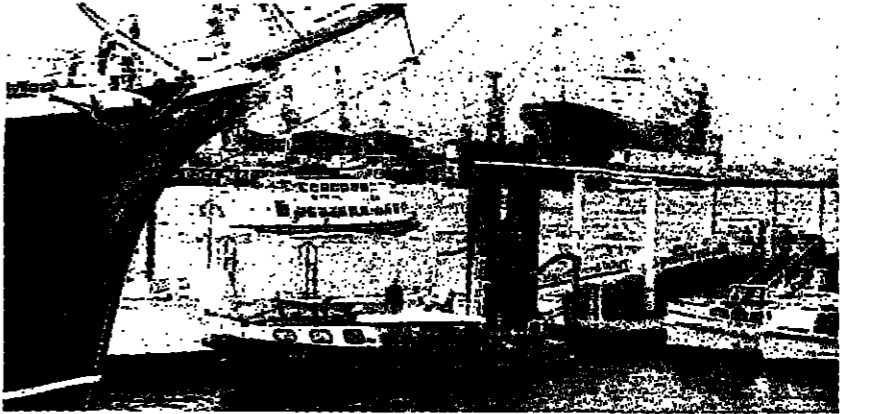
"We have managed to develop a strong trilateral cooperation between state, shipowners and seafarers," claimed Kosmas Styriou, minister of merchant marine. Keeping internal interference to a minimum has left successive governments free to focus outwards on championing a liberal approach in international maritime forums. "The cornerstone of our policy has always been to retain a freely competitive environment in international mari-

time transport," said Mr Styriou.

On finance, Greek shipping rarely strays from traditional formulae. The Amstar and Tankos groups, which operate oil tankers and dry cargo vessels, have developed public arms which are traded on stock exchanges in Europe and the US. In 1993, Eleton Corporation, a petroleum products tanker specialist which has been a pioneer in constructing tankers with double hulls, made a successful \$140m bond issue on Wall Street.

But the number of equity or debt offerings involving Greek shipping firms is much lower than their presence in the industry warrants, and financiers generally believe this pattern will change little in the future. Apart from the risky reputation that makes any shipping deal hard to sell to investors, Greek shipowners themselves advance many other reasons for remaining solidly private.

Culturally, most are still reluctant to meet the financial disclosure requirements of outside capital markets, while going public threatens to blunt the flexibility for which they are justly famous. A Greek shipowner likes to pick his moment to buy or sell a vessel and many have made their initial fortune through asset plays. At the same time, there is a general preference for trading on the vol-



Hamburg docks: the Greek registry still represents half the EU-registered fleet

among this year's arrivals, have enabled the Greek port to surpass London in terms of hosting foreign shipping desks. Whether they have a permanent presence in Piraeus or not, several leading banks including Royal Bank of Scotland and the Bank of New York say that loans to Greek clients comprise the lion's share of their worldwide shipping portfolios.

Besides banks, other service sectors such as shipyards, English marine law firms and equipment suppliers have gravitated towards Greece during the 1990s and the burgeoning size of the Posidonia exhibition every two years also attests to the country's growing drawing power in the shipping world.

Yet it would be an exaggeration to say that Piraeus has become an international maritime centre in the true sense. For one thing Piraeus, unlike London, New York or even nowadays Cyprus, is almost entirely for Greeks and offers little in the way of services that the roving international shipping entrepreneur cannot find elsewhere. For another, its infrastructure still leaves a lot to be desired, as shown by a trickle of leading shipowners who have recently left the cramped port for new buildings on the outskirts of Athens.

□ The writer is Athens correspondent for Lloyd's List newspaper

■ Financing options: by Charles Batchelor

# Steering a new course

Owners find that the banks are not the only source of finance for shipping

Bank lending has dominated the shipping finance over the past two years but bankers detect signs that some of the large shipping groups are extending their financing options.

Shipowners are starting to tap the corporate bond market in the US in what some bankers see as the first step towards using the equity markets. Meanwhile leasing, widely used in the airline and railroad wagon sectors, is starting to make inroads into shipping.

"The industrialised sectors of shipping - chemical and car carriers and oil tankers, which offer the promise of more stable earnings - are starting to use the US capital markets," says Mr Michael Parker, vice president at Citibank Shipping. "The shipping companies are starting to think ahead and they can see the value of 10-20 year money."

An increasing willingness to plan for the longer term lies behind a growing use of lease finance.

Citibank expects leasing to account for as much as 5 per cent of total shipping finance this year, up from 1-2 per cent in recent years. Traditionally shipowners have not wanted to commit themselves to long-term leasing arrangements because this would restrict their freedom to partic-

ipate in the active second-hand shipping market.

Non-US shipping companies which attempt to tap the US bond market face an uphill struggle because they will be unfamiliar to local investors while shipping has a reputation for volatile earnings. But the number of high yield shipping issues has doubled over the past three years, says Mr Parker.

The larger shipowners are making efforts to acquaint the US credit rating agencies with their activities and some are preparing their accounts in a format acceptable to US investors. Once shipping has established a higher profile it may then be able to move to fully fledged equity issues.

"Very little money has been raised on the stock markets or by private placements," says Mr Rex Harrington, director of shipping finance at Royal Bank of Scotland. "Mortgage lending still accounts for 80 to 90 per cent of the total."

After a period during the 1980s when difficulties in the shipping market led to losses on loan books and to many banks withdrawing from the shipping sector, the banks have returned in increasing numbers in recent years. One banker recently estimated that 111 banks were actively involved in shipping finance compared with 45 four years ago. Pressure on margins in other areas of corporate lending and a growing pool of readily available capital have left the banks keen to develop profitable markets. Because of

the risks inherent in shipping, bankers are generally able to charge higher margins.

But the dominance of loan finance also reflects the conservatism of many smaller shipowners. Much lending to such companies is done more on the basis of personal knowledge of the individuals involved and less on a formal credit assessment, says Mr Harrington. But such companies would be unwilling to accept the exposure of their finances to public scrutiny to raise funds on a stock exchange or through a

Leasing is growing and there are moves to the bond and equities markets

private placement or would be unable to satisfy the criteria of the providers of finance.

The last significant round of equity financings occurred in 1993 when companies such as Smedvig Tankships, First Olsen and Bona Shipping came to market or, like London & Overseas Freighters and ICB, carried out share placings or rights issues.

Preparing a private company for a public market place can be a time-consuming and difficult task but it is essential if outside investors are to become involved. "Investors want clean structures which will be acceptable to the major stock exchanges," said one

# BORDERLESS

Wherever people live, NYK delivers.

From the little house down the lane to a sprawling metropolis, if a place can be reached by sea, or road or rail, NYK reaches it.


As a total logistics megacarrier, NYK has created a distribution management system that comprises almost every means of transport. For 110 years, NYK has been delivering to people the world over, and we aim to do it well into the next century.

NYK ALTAIR  
PANAMA

TOKYO.....03-3284-5151	ROTTERDAM.....31-10-425-1400	ATLANTA.....30-1-226-1122
LONDON.....44-171-776-3005	PARIS.....33-1-4285-1800	LOS ANGELES.....213-1-347-3211
HAMBURG.....49-40-354-6000	MILAN.....39-2-421-0274	JEDDAH.....966-2-648-5045
FRANKFURT.....49-69-529-7010		JOHANNESBURG.....27-11-405-2808

NIPPON YUSEN KAISHA

**BUSINESSES FOR SALE**



### FACIA GROUP

**Contessa (Ladieswear) Limited**  
**Oakland Menswear**  
**Red or Dead Limited**  
**Torq Fashions Limited**  
*(all in administrative receivership)*  
**Sock Shop Holdings Limited**

The Joint Administrative Receivers offer for sale the business and assets, and in the case of Sock Shop Holdings Limited the share capital, of the above subsidiaries of Facia Limited as going concerns.

<b>Contessa</b>	Specialist lingerie and nightwear retailer with 123 outlets
<b>Oakland</b>	Fashion menswear retailer with 31 outlets
<b>Red or Dead</b>	Leading edge fashion designer, retailer and wholesaler with international reputation
<b>Torq</b>	Costume jewellery, watches and accessories retailer
<b>Sock Shop</b>	Specialist socks, hosiery and underwear retailer with 95 outlets and a developing overseas franchise operation

- well established retail brand names
- national chain of retail outlets, with strong presence in the South East
- mix of own label and other brands
- distinctive retail positioning
- key retail locations

For further details relating to the group please contact the following:

<b>Group Enquiries</b>	Tony Thompson at KPMG, PO Box 730, 20 Farringdon Street, London EC4A 4PP	<b>0171 311 1000</b>	<b>0171 311 3607</b>
<b>Contessa/Sock Shop</b>	Mike Blake at KPMG, Arlington Business Park, Theale, Reading RG7 4SD	<b>01734 642000</b>	<b>01734 642284</b>
<b>Oakland/Torq</b>	Steve Trehame at KPMG, 1 Forest Gate, Brighton Road, Crawley RH11 9PT	<b>01293 652000</b>	<b>01293 652129</b>
<b>Red or Dead</b>	Julian Walker at KPMG, PO Box 730, 20 Farringdon Street, London EC1A 4PP	<b>0171 311 1000</b>	<b>0171 311 3607</b>

**KPMG Corporate Recovery**

**Coopers & Lybrand**

### HOTEL AND SHOP FITTER

The Joint Administrative Receivers, David Waterhouse and Michael Moore, offer for sale the business and assets of this well established South Yorkshire based company, specialising in shop fitting and hotel refurbishment to a superior standard.

Principal features of the business include:

- JCT contracts
- leasehold premises
- turnover of \$2.7m plus 21st customer base
- 35 employees

For further information please contact Nick Reed of Coopers & Lybrand, Abdon Court, 5 Abdon Place, Leeds LS1 6JP. Telephone: 0113 243 1343. Fax: 0113 243 4567.


**ROBERT BARRY & Co.**

### ROOKERY HALL NR NANTWICH, CHESHIRE

A rare opportunity to acquire one of the country's most prestigious country house hotels

- Fine Grade II Listed property
- In over 30 acres
- Easily accessible to motorway network
- 45 letting bedrooms
- Elegant public rooms incl. renowned restaurant & excellent conference facilities
- AA 3 Red Star; 3 Rosettes
- Option to acquire further surrounding grounds with permission for 18 hole golf course.

For further details contact Richard Woodhead or John Sheppard at Robert Barry & Co., 7 Upper Grosvenor Street, London W1X 8PA. Telephone: 0171 491 3026



The Joint Administrative Receivers of Salisbury's Ltd., Maurice Withall, Scott Barnes and Bruce Mackay, invite offers in whole or in part, for the business and assets of the following trading divisions:

**SALISBURY'S**

- high street luggage and accessories retailer
- annualised turnover c£50M
- current stock c£15.5M at retail

- approximately 170 retail outlets throughout the UK and Northern Ireland
- established since 1867

**BAGS OF VALUE**

- similar product range
- 7 retail stores
- annualised turnover c£300K

Also available for sale is Salisbury's interest in a wholly owned single location subsidiary with a prestigious customer base, retailing high quality luggage and accessories.

Please contact the Joint Administrative Receivers at Grant Thornton on: 0171 728 2408 or 0171 728 2493

For interest in any specific leasehold properties, please contact the Receivers' agent Mark Williams, at DTZ Debenham Thorpe on: 0171 408 7575 or 0171 408 2914.

**Grant Thornton**

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.


### CHESHAM.

**BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.**

And you want to get it right.

Chesham concentrates on creating the best possible deals for companies valued between £1 million and £25 million and has done so for 35 years.

So if you want real depth of knowledge, contact our Managing Director to arrange a confidential discussion.



**CHESHAM AMALGAMATIONS**  
The first name in merger buying.

Chesham House, 2 Bentinck Street, London W1M 5RN. Telephone: 0171-935 2748.

By order of Halton Assets, Inc, A United Biscuits company

### SALE BY AUCTION

To be offered as an entirety, and as major and individuals lots

At: 3900 Mescham Boulevard, Haltom City, Fort Worth, Texas, USA

On: Thursday 27th June at 9.00am and Friday 28th June if necessary

**SALTY SNACK PRODUCTION AND PACKAGING FACILITY INCLUDING 19.36 ACRES REAL ESTATE WITH 142,500 SQ FT UNDER ROOF**

Auto/Retreat Bulk delivery system

400 Salty Snack (crisp/chip) Production lines each 3000 or 2457 lbf/hr capacity including cooler mixers, screens, rotary ovens, ovens, fryers and seasoning applicators.

Packaging 17oz 12 and 6 head scales/vertical bag form fill and seal machines. 12oz carton erect, bottom and top seal machines, palletizers and stretch wrap machines.

QA Lab, Machine shop, Factory transport, General factory services and equipment.

On view Wednesday, 26th June or by appointment.

For colour flysheet, catalogue or due diligence package contact the Auctioneers:

**HENRY BUTCHER**

441 171 405 5501

Fax +44 171 242 2809

In Association with

Michael Fox

Auctioneers,

Baltimore, Maryland, U.S.A.

### WILLIAM HILLARY

### THE MANOR HOUSE ALDERMASTON, BERKSHIRE

An attractive hotel and conference centre in an excellent strategic location for Reading, Basingstoke, the M4 and M3.

- 34 three star standard letting bedrooms
- Restaurant, nine conference/function rooms, health and fitness facilities
- Circa 3047 hectares (758 acres) of gardens and grounds

**OFFERS IN THE REGION OF £15 MILLION FREEHOLD**

ST MARY ABCHURCH HOUSE, 123 CANNON STREET, LONDON EC4N 5AX. TEL: 0171 633 3233 FAX: 0171 929 0681


### SHARPNESS DOCKS and SHIPYARD

The commercial port of Sharpness on the River Severn, including 192 acres of land, is FOR SALE as a "going concern".

- Fully operational Commercial Dock
- Repair Yard and Dry Dock (ISO-9002 Accredited)
- Road, rail and water connected
- Located between Bristol and Gloucester

Principals only will be considered and should register their initial interest with:

Ian Valder  
Commercial Director  
British Waterways  
Willow Grange  
Church Road  
Watford WD1 3QA  
Tel: 01923 201379



**British Waterways**

**BUSINESS FOR SALE**

**BRANDED HORTICULTURAL PRODUCTS**

- Products and distributes direct to end consumers branded horticultural products through an extensive distribution network in the UK
- UK and European market leaders
- Experienced management committed to developing the business
- Profits in excess of \$1 million and highly cash generative

Potential purchasers please write to Samantha Penn at the address below:

Livingstone Guarantee Plc  
Acce House, 11-15 Wilton Road, London NW1 3ER

**LIVINGSTONE GUARANTEE**

THE ACQUISITION & DISPOSAL SPECIALISTS

Regulated by the SFA

**ROBERT BARRY & Co.**

### ARDENCOTE MANOR HTL & COUNTRY CLUB, CLAVERDON, NEAR WARWICK

On instructions of Joint Administrative Receivers, N Tombs & A Merzies, Robson Rhodes

Impressive country house hotel & leisure complex, in about 40 acres grounds between Stratford-upon-Avon & Birmingham. Bars, restaurants, meeting rooms, 18 e.s. bedrooms, squash courts, indoor pool, gymnasium, all weather tennis courts, pitch & putt golf course, fly fishing lake, club house & bar. Over £250,000 profits on net T/O £1.075m (Y/E Dec 94). T/O £1.391m for Y/E Dec 95.

Offers over £2.5m freehold complete

CONTACT MERVYN CULLY: 01285 641642

Resort coast

### Large well established holiday park

- 67 acre freehold site
- Adjusted management turnover 1995/6 - circa £2.3m
- 592 static caravan pitches
- 50 chalets and 62 caravans available for holiday lets
- 328 chalets let on long leases
- Indoor swimming pool and associated leisure facilities
- Public house and licensed clubs

For sale freehold as a whole or in two lots

**Humberts Leisure**  
25 Grosvenor Street, London W1X 8PE

**Price Waterhouse**

Thomas Court, 1 Victoria Street, Windsor, Berks SL4 1HB  
Tel: 01753 752000  
(Contact Claire Noble or Mark Mitchell)

This opportunity arises from the appointment of receivers to Modern Leisure Investments Limited, formerly Leisure Investments Limited and Leisure Investments Limited.

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

### KITCHEN & BEDROOM STUDIO FOR SALE

We are offering for sale a well established profitable retail business including fresh food property. Market upturn & expansion potential makes this a highly desirable acquisition. Excellent reputation & customer base in North West. Genuine reason for sale.

Principals only. Write to Box 84332, Financial Times, One Southwark Bridge, London SE1 9HL.

**MARKET LEADER OFFERS**

**CENTRAL LONDON GREETINGS CARD FRANCHISE**

- Essential to double existing turnover within 12 months
- Over 150 shops selling 7,750 cards per month
- Huge scope with 3 superb ranges containing over 30 designs
- Current profit £26,000 per annum
- Price £32,000+ SAV approx. £10,000
- Company willing to finance up to 75% of total purchase price over 36 months interest-free

Call

**THE ORIGINAL POSTER COMPANY LTD**

on

Tel: 0181 332 0265  
Fax: 0181 332 1236

### SERVICES/SPECIALIST CONTRACTING

**T/O £8M+ PBT £250K**

Small group with national coverage, excellent growth potential and adequate funding available. Working directors with major shareholding seek to realise part of their investment 6 years after MBO.

Interested in sale to quoted company or merger with similar organisation.

Write to Box 84337, Financial Times, One Southwark Bridge, London SE1 9HL

By Order of The Joint Administrative Receivers S S James Esq FCA and P F Jeffrey Esq FCA of KPMG

Re: MELTIS PLC (In Administrative Receivership)

### MAJOR SALE BY AUCTION

On: Wednesday, 17th July 1996 At: 10am

All: Meltis Plc, Miller Road, Bedford, England

Viewing: Monday 15th and Tuesday 16th July 1996

OVER 2000 LOTS OF SUPERB CHOCOLATE PROCESSING EQUIPMENT, MOLDING AND DEPOSITING LINES, NEW BERRY FRUITS LINE, EXCELLENT PACKAGING MACHINERY, LABORATORY, OFFICE AND FACTORY EQUIPMENT.

For further details please contact Henry Butcher on +44 (0) 171 405 8411 or by fax on +44 (0) 171 405 9772.

**ROBERT BARRY & Co.**

### THE LANSDOWN GROVE HOTEL, BATH

44 en suite bedrooms. Excellent bar, restaurant and conference facilities. Car parks for 35. Prime location for city centre. Offers invited.

Joint sole agents:

J Trevor & Webster  
Contact: Daniel Lachs  
Tel: 0171 629 8161

Robert Barry & Co.  
Contact: Richard Woodhead  
Tel: 0171 491 3026

### Fruit & Vegetables Wholesale Company in Baltimore Maryland USA.

High Quality Accounts Revenue: US\$8MM in Major Terminal. Great Entry into US East Coast Markets.

Contact: Michael Syracuse  
Hamilton Capital Partners  
Tel: +1 301 897 3522  
Fax: +1 301 897 3518

### FOOD SVC EQUIP SALES CO. AVAL FOR ACQUISITION

Dist. restaurant equip & provides complete kitchen planning & installation svcs for new & remodel sites. Obtain strong presence in expanding mkt. Loyal nationwide cust base & high supplier relationships. Sales to large restaurant chains. 20/01 regulation for high quality svcs. \$21MM; Midland; Steve Vogel 714-786-2200 x7016, Ref#38671

### FOR SALE

Highly respected niche market. Chaudhri driven car hire company. Home counties. Pre-tax profits 2500,000. Major shareholder wishes to retire.

Write to Box 84335, Financial Times, One Southwark Bridge, London SE1 9HL

### POWER MANAGEMENT SYSTEMS DESIGN & MANUFACTURE

(Digital & Analogue)

Successful, high-sec, niche business. Sales c. £1.5m. Very profitable. Situated in the North East. Recognised leader in its field with exciting potential.

**EURO-PACIFIC LTD**  
White Walkway  
Maddesbury SL6 3RU  
Tel/Fax: 01628-822694

### Substantial TRAVEL GROUP

Profitable group with turnover in excess of £35 million involved in high street retail and direct sale, seeks investor for expansion. Would also consider outright sale.

Interested parties please respond to:

Box 84332, Financial Times, One Southwark Bridge, London SE1 9HL

### LIQUIDATIONS AND RECEIVERSHIPS

Every week every company that has gone into liquidation or receivership has a hidden asset.

For more information write to:

Box 84332, Financial Times, One Southwark Bridge, London SE1 9HL

### FOR SALE

Industrial Equipment Supplier and Tool Hire Business.

with DIY and leisure divisions. Midland based with 1/2 of £2m. Profitable. Retirement sale.

Write to: Box 84340, Financial Times, One Southwark Bridge, London SE1 9HL

### Sale of LEADING UK CASUAL WEAR BRAND

Established for many years this Brand currently has a multi-million turnover and the potential for major UK and international expansion. Unique opportunity for a multiple retailer to achieve high profit branding for their own label operation or for a manufacturer/wholesaler to obtain established branding support.

The Brand and the existing business (if required) is available for outright sale or for substantial capital sum plus royalties.

Please write to:

Box 84341, Financial Times, One Southwark Bridge, London SE1 9HL

### NEWSLETTERS

For sale. Business-to-business. International subscriber base. Industry or subject-specific.

Principals only.

Write to: Box 84334, Financial Times, One Southwark Bridge, London SE1 9HL

### BUSINESS SALE REPORT

The No. 1 independent listing of business for sale in the UK (T/O £2m+). For more details:

**0181-875 0200**



COMMENT & ANALYSIS



Martin Wolf

# Japan's savings surfeit

The exceptionally high Japanese propensity to save explains many of the country's economic woes and threatens to pitch it back into another period of stagnation

With the return of economic growth, the Japanese economy seems to be floating freely once again. But appearances are deceptive. So long as the economy generates more savings than investment opportunities, it is in danger of being beached once more.

Japanese savings are gargantuan. In 1995, for example, gross national savings were \$1,570bn. This was larger than the gross national products of all but two of the world's economies, the US and Germany. Japanese savings were a third larger than those of the US, at only \$1,200bn, and almost three times as large as those of Germany, at \$550bn.

Before 1974, when the economy grew at around 9 per cent a year, this thriftiness was a source of strength, as it is today in fast-growing east Asian economies. But the country is now caught in what Keynesians term the paradox of thrift. In the highly developed Japan of today it may be impossible for the private sector to find adequate opportunities for investment.

In elucidating this possibility, John Maynard Keynes remarked in his *General Theory of Employment, Interest and Money* that "the extent of effective saving is necessarily determined by the scale of investment". If investment was inadequate, he argued, economic activity would shrink, thereby reducing the quantity of excess savings.

The surfeit of savings does much to explain the problems of the Japanese economy since the mid-1980s. Between 1974 and the mid-1980s, external events - the two oil shocks and the strong dollar created by the policies of President Ronald Reagan - allowed the Japanese to avoid the difficulties attendant upon deteriorating opportunities. Between January 1980 and January 1985, for example, export volume rose by more than a half. The combination of export growth with the shift in the current account from a deficit of minus 0.8 per cent of gross domestic product in 1980 to a

surplus of 4 per cent in 1986 kept the economy growing. The strength of the Japanese external account finally brought the era of export-driven growth to an end. The currency appreciated from ¥260 to the dollar in mid-1985 to a peak of almost ¥80 in April 1985. This could have been prevented only by the willingness of Japanese investors to invest enough abroad to offset the trade surplus. But their foreign exchange losses rendered them unwilling to do so. The consequent real appreciation of the yen, on a trade-weighted basis, was 38 per cent between 1985 and 1995, according to J.P. Morgan. As a direct consequence of Japan's loss of competitiveness, the volume of Japanese exports rose by a miserable 21 per cent between January 1985 and January 1996.

The sluggishness of exports and the collapse in the profitability of investment in export production was the central element in a still bigger picture. The return on investment had fallen sharply since the 1960s, as could be seen

from the collapse in the rate of economic growth, from 9 per cent to around 1 per cent. Yet the gross national savings rate remained some 30 per cent of GNP. How was all this money to be profitably invested?

As Andrew Smithers of Smithers & Co, a London-based investment advisor, remarked in a study of the Japanese economy published in 1993 (*Japan's Over Bubble: The Causes and Consequences of the Secular Trend of Corporate Investment*): "The threat posed by the decline in the return on capital was postponed during the 1980s by the twin impact of falling interest costs and the falling cost of capital." For a while, the "bubble economy", with its soaring nominal asset prices and resulting low perceived cost of capital, was the solution.

Business investment jumped from under 14 per cent of GNP at the beginning of 1983 to no less than 23 per cent of GNP in 1991. Overall, gross fixed capital formation rose from 26 per cent of GDP in 1983 to 32 per cent in 1991, growing at an annual rate of 7.3 per cent.

Such an extraordinarily high rate of investment seemed to make sense only while the prospect of capital gains made capital extraordinarily cheap. But the over-valuation of asset prices could not last. The bursting of the bubble in the real estate and stock capital formation. Stagnant exports plus declining investment equals sluggish manufacturing. Notwithstanding its modest recovery since 1993, manufactured output is still well below the level reached five years ago.

The Japanese economy has done more than succumb to the paradox of thrift. It is also in a "liquidity trap", in which monetary policy is of limited effectiveness. What then has made it possible for the economy to grow again after four years of stagnation? The answer is the exploding fiscal deficit. One observer, Richard Koo of the Nomura Research Institute in Tokyo, argues that all the stimulus has come from the fiscal side.

The fiscal loosening has been dramatic. According to last year's Economic Outlook from the Organisation for Economic Co-operation and Development, the general government fiscal balance moved from a surplus of 3 per cent of GDP in 1991 to a deficit of 3.9 per cent in 1995. The cyclically adjusted, or structural, balance deteriorated by 3.7 per cent of GDP. Without this fiscal compensation for excess savings elsewhere, the stagnation would have become a depression.

Fortunately, Japan's ratio of net public debt to GDP, at only 11.1 per cent in 1995, is low by international standards. The Ministry of Finance could get away with running substantial deficits for many years to come. But it loathes the very idea, not least because of the looming burden of an ageing society. In justifying its unwillingness, it will point to the ratio of gross debt to GDP, which is already 83 per cent. This will matter in the long run as the social

security funds run down their holdings of public debt.

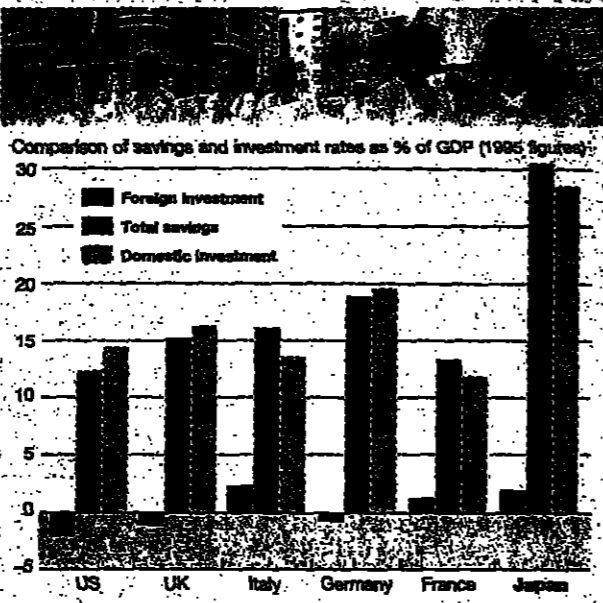
If the public sector can be the borrower of last resort only temporarily, what are the enduring solutions to the problem of excess savings? One might be sustained exports of capital. After all, for much of the late 19th century the UK exported capital equal to 5 per cent of GDP. Why should a rich country like Japan not do the same today? There is no good economic reason why not. But the fastest growing economies are already self-sufficient in savings, while the biggest borrower, the US, regards Japanese exports of capital as an act of economic warfare. More fundamentally, sustained large-scale capital exports may be incompatible with freely floating exchange rates.

If Japan cannot export its excess savings, the alternative is to absorb them at home. In considering the options, the authorities need to remember that even the current rate of investment, not far short of 30 per cent of GDP, looks unsustainable. If Japan is not going to grow much faster than other industrial countries, it cannot profitably invest so high a proportion of GDP, when its peers are investing 20 per cent, or less.

What Japan needs to do is to create opportunities for more investment and good reasons for less saving. Radical deregulation is the obvious answer. This would create new investment opportunities. In private housing for example, it would also encourage more borrowing by private households, thereby lowering the overall rate of household savings from more than 16 per cent of disposable income.

The only sure way to stabilise the Japanese economy is for the Japanese people to become less Japanese. They have to force themselves to enjoy the opportunities their hard work and thrift have created. The very magnitude of their success leaves them with no alternative to such radical change.

The heavy burden of Japanese thrift



Source: Smithers & Co. Private investment in the US rose to 12 per cent of GDP plus an additional 2 per cent needed to allow for government investment.

# Patrick Harverson reports on the marketing bonanza surrounding the Euro 96 soccer finals

## A whole new ball game scores a winner

English football may appear to have been stuck in the dark ages since the national team won the World Cup, but in the intervening 30 years the marketing of the game in England has changed beyond all recognition.

In 1966, the tournament's £2m-plus revenues came solely from ticket sales, although the Football Association, which hosted the tournament, did earn a £6.818 surplus from selling match-day programmes.

Today, £2m would not cover the cost to a corporate sponsor of buying the logo of Euro 96, this month's European football championship finals. So much money will be produced by the tournament, the biggest sporting event held in England since the World Cup, that in commercial terms 1966 will seem like a kick-about in the local park.

Euro 96 is expected to generate total revenues of more than £350m (£22.5m), of which only about a third will come from ticket sales. The remainder will come from the sale of television, sponsorship and other rights. Another £100m-plus will be spent on advertising and marketing schemes linked to the tournament.

The fact that football championships like Euro 96 generate such huge sums today reflects the sport's massive following, the power of television, and the sophistication of modern marketing techniques.

Euro 96's sponsors will have their names plastered everywhere, from billboards to buses, taxis to tube stations. Television commercials will proliferate, special sponsored events tied to the tournament will be held throughout the three weeks. Even the Internet has its own Euro 96 pages and advertising.

all of the sponsorship on behalf of Uefa, the sport's European governing body overseeing the championship. This includes signing up the 11 official sponsors - Canon, Carlsberg, Coca-Cola, Fuji, JVC, Mastercard, McDonald's, Philips, Saatchi & Saatchi, and Umbro - at the reported price of £3.5m each.

Uefa has also learned marketing lessons from the US, and for the first time has assigned the merchandising rights to a single company - Licensed Properties International - which will make the official T-shirts, baseball caps and 100 other Euro 96 products.

The eagerness of multinational to be involved with the tournament is understandable: 1.3m spectators will attend the 31 games, which are expected to draw a cumulative television audience of 7bn people across 150 countries.

As Mr John Slade, marketing controller of Carlsberg, says: "It's a cliché but it's the biggest sporting event in Britain since 1966. Everyone will be talking about it and everyone will play some part in it. So it's the ideal way to demonstrate the relevance of our brand to, primarily, young men."

Ms Marianne Fulgenzi, director of special events marketing at Mastercard, makes a similar point. The credit card company is keen to build its brand in Europe, where it is less well-known than other more established cards. She says: "The younger market is not a bad place to start. Around that age is when people start to build brand loyalty."

The main beneficiary of the marketing bonanza will be Uefa, which will receive most of the direct income from the games. It will get about £40m from the official sponsors plus at least another £10m from second- and third-tier sponsors such as Microsoft and Midland Bank. The activities of these sponsors will include, for example, providing the technology for organising the event and other back-up services.

although it will initially seek to cover the £18m cost of organising the championship. Mr Jonathan Hill, the FA's sales and marketing manager, says if 90 per cent of all the tickets are sold - as looks likely - the FA will make a small profit.

The involvement of the main corporate sponsors does not stop at paying £1.5m to buy the rights to attach their names to the Euro 96 logo. Each is spending tens of millions of pounds more on marketing and advertising tied to the tournament - everything from the traditional (pitch-side billboards) to the world-wide (such as Mastercard's backing for two rock concerts during the tournament).

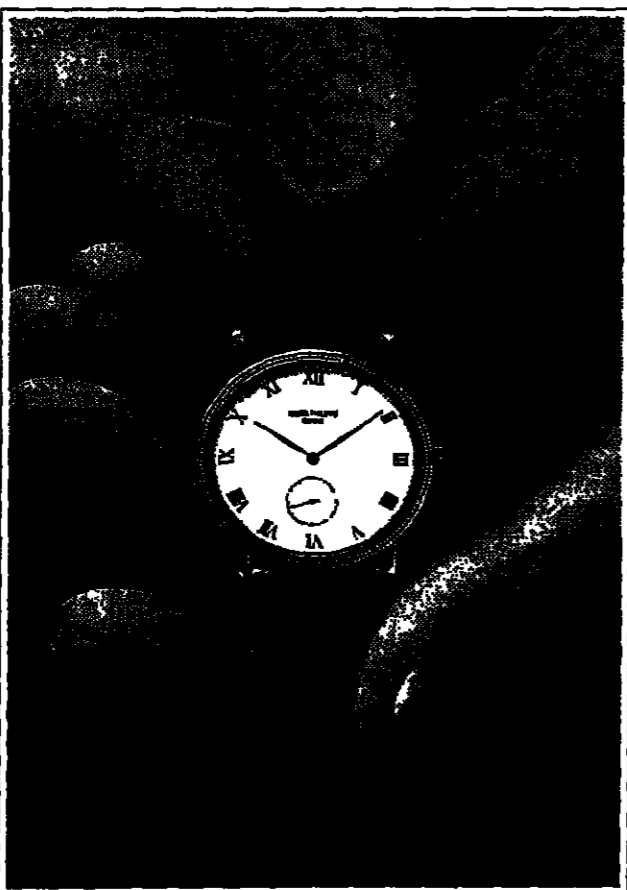
Sponsors' TV commercials will be among the more expensive marketing items. The climax of these campaigns will be during the tournament itself, with the price of a 30-second commercial in the England games starting at £50,000. Mr Slade says the bulk of the £20m that Carlsberg is spending on its brand support programme this year will go on the championship, while Coca-Cola is reportedly spending £14m on Euro 96.

The ultimate aim of sponsors is to swamp the country - and the wider TV audience - with images of their brands. As Ms Fulgenzi boasts of Mastercard's activities in London: "We basically want to own this city by the end of Euro 96 from a brand image perspective."

Yet with 11 main sponsors and scores of subsidiary backers, Euro 96 could suffer from marketing overkill. An executive at one of the main sponsors accepts it is a possibility: "Clutter could be a problem. There is a danger that everyone shouting at the same time will lead to confusion."

However, sponsors seem happy to take the risk. With the World Cup due to be held in France in two years' time, Euro 96 presents the perfect opportunity to start a two-year campaign to spread marketing messages across Europe.

For more than a century and a half, Patek Philippe has been known as the finest watch in the world. The reason is very simple. It is made differently. It is made using skills and techniques that others have lost or forgotten. It is made with attention to detail very few people would notice. It is made, we have to admit, with a total disregard for time. If a particular Patek Philippe movement requires four years of continuous work to bring to absolute perfection, we will take four years. The result will be a watch that is unlike any other. A watch that conveys quality from first glance and first touch. A watch with a distinction: generation after generation it has been worn, loved and collected by those who are very difficult to please; those who will only accept the best. For the day that you take delivery of your Patek Philippe, you will have acquired the best. Your watch will be a masterpiece, quietly reflecting your own values. A watch that was made to be treasured.



Men's Calatrava - Ref 3919

**PATEK PHILIPPE**  
GENEVE

LONDON: PATEK PHILIPPE SHOWROOM, BOODLE & DUNTHORNE, ASPREY, GARRARD, WATCHES OF SWITZERLAND Ltd. • BIRMINGHAM: WATCHES OF SWITZERLAND Ltd. • CARDIFF: WATCHES OF SWITZERLAND Ltd. • CHANNEL ISLANDS: HETTINGER Ltd. • JEWELLERS & SILVERSMITHS Ltd. • HAPPEN & WEBB - CRESTERS, BOODLE & DUNTHORNE • DUBLIN: WEBB & SON Ltd. • EDINBURGH: HAMILTON & INCHES Ltd. • GLASGOW: WATCHES OF SWITZERLAND Ltd. • LEEDS: BERRY'S • MANCHESTER: WATCHES OF SWITZERLAND Ltd. • STRATFORD-UPON-AVON: GEORGE FRAGNELL Ltd.

# LETTERS TO THE EDITOR

## Bosnia elections likely to lead to partition

From Ms Mabel Wise Smith.  
Sir, Under the present conditions elections in Bosnia-Herzegovina will lead to partition rather than reintegration of the country.

The international community defines "success" in Bosnia-Herzegovina as elections *per se* rather than free and fair elections. Since elections are a precondition for the scheduled withdrawal of UN troops, the international community needs them by September. Unfortunately, the Bosnian Serb leader, Radovan Karadzic, and his comrades are well aware of the tendency of western leaders to give effect to political expediency and their desire for elections at any cost.

But what will happen if extreme nationalists continue to control the media, obstruct freedom of movement, block back nationalist parties, and intimidate everybody who does not support their ideology?

Then the elections will legitimise the self-proclaimed leadership in the Republika Srpska, most of them proxies of Karadzic and Serb president Slobodan Milosevic. Moreover, elections in the Republika Srpska could turn out to be a *de facto* referendum on partition. If internationally monitored elections result in a

victory for separatist parties even at their own economic expense. In addition, nationalists in "Herzegovina" might be encouraged to pursue a similar path, thereby undermining the Federation and Bosnia-Herzegovina as a whole.

Moreover, tensions and even conflicts are likely to occur when the population realises that peace entails partition. Long-term success requires the willingness to postpone elections when and where the conditions have not been met. The extremist forces should not be allowed to hold democracy hostage in the entire country.

Mabel Wise Smith, executive director, European Action Council for Peace in the Balkans, PO Box 10018, 1001 EA Amsterdam, The Netherlands

## Russians will be more than usually anxious about age

From Mr Denis McDonough and Mr Frank Richter.  
Sir, I wonder how a 58-year-old Russian man would feel this morning given the uncertainty felt by me - two Generation Xers - upon reading articles on president Boris Yeltsin in the FT ("Comeback kid rising in polls", June 1/2) and in the Washington Post ("Invigorated Yeltsin his hostings").

At 65 years old, has Mr Yeltsin, as the FT claims, "already lived six years longer than the average Russian man"? Or has he, as the Post states, "already exceeded the average life expectancy of a Russian male by eight years"? Or is Mr Yeltsin even 65?

For a couple of readers in Washington DC, the age and life expectancy of a seasoned presidential candidate is more than a minor issue. Besides, imagine how puzzled, and perhaps even anxious, that 58-year-old Russian man feels upon reading these two articles.

Please don't leave that poor Russian man - and millions of voters in Russia and the US - confused.

Frank Richter, Denis McDonough, 2439 Tully Rd NW, Washington, DC 20007, US

## Casting out EU net provider

From Mr Ian Harrison.  
Sir, I have immense sympathy with Mr Hans Schloten (Letters, May 30) who questions whether the time has not come for the rest of the EU to ask the UK to leave so that the Community can develop as the vast majority of its members wish. However I fear that he has overlooked one thing.

With the UK as a net provider of funds to the EU and the majority of members as net recipients who is going to propose the motion?

Much healthier would be for the UK to hold its own referendum on whether it wishes to continue its membership. The goodwill engendered by a vote to stay in would probably be sufficient to clear up the beef impasse overnight.

Ian Harrison, 32 Peaseock Street, Windsor, Berkshire SL4 1EA, UK

## Flexible cost

From Mr Jonathan Targett.  
Sir, Do the responses to Lucy Kellaway's thoughts on management consultants ("The physics of consultancy", May 20) miss the point?

Consultants, no doubt, have a useful function as an intelligent and flexible pool of problem-solvers that the CEO can't always afford to keep on staff permanently.

But, as Lucy Kellaway points out, flexibility comes at a price, a price that many would-be family builders aren't willing to pay. It is an increasingly important debate, and she is right to raise it.

Jonathan Targett, rue Ernest Solvay 15A, 1050 Brussels, Belgium

## Climate change stance not negative

From Mr Michael Jefferson.  
Sir, We were surprised to see the World Energy Council reported in "Debate warms up" (Business and the Environment, May 29) as taking a "negative stance on basic science" of possible climate change, as having "many energy industry executives" in disagreement with us because of this, and that the forthcoming Intergovernmental Panel on Climate Change second assessment reports "conclusions" are "an attempt to win research grants for scientists". None of this is true.

The World Energy Council has long advocated that precautionary measures, based upon the minimum regret principle, be taken - starting now - to tackle possible climate change.

We have never taken a "negative stance" on the basic science, which has been clearly established at least since 1896. We know of no informed energy industry executives who disagree. For the most part we regard the forthcoming panel scientific assessment as excellent. We have two concerns. First, a particular sentence suggesting "a discernible human influence on global climate", because it is not yet justified by the underlying scientific papers. Second, the panel has

revised downwards its projections of warming because of the cooling effect of sulphate aerosols. We are concerned because sulphur abatement measures are becoming cheaper and are likely to be installed faster, and hence cooling may be less.

Thus we advocate early precautionary measures but insist on objective analysis of the known facts. As contributors to the panel report ourselves we would expect no less.

Michael Jefferson, deputy secretary-general, World Energy Council, 34 St James's Street, London SW1A 1HD, UK



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday June 4 1996

# The French tax burden

"Too much tax kills tax". Thus Jacques Chirac used to sum up the failings of the French tax system while campaigning for the Presidency last year. Yet since he took office, plans for sweeping tax reforms have been sidelined by efforts to rein in public borrowing in time for Maastricht.

These days the pain of making another FF160bn cuts in public spending next year has put tax reform firmly back on the agenda. President Chirac promises that meeting the Maastricht criteria will involve no further large tax increases. But many in parliament are pressing for more, they want tax cuts, to soften the blow of continued budget cuts and generally kickstart the economy.

With France's bid for Emu still hanging in the balance, the government simply cannot afford to reduce tax revenues next year, although Prime Minister Alain Juppé yesterday reiterated the government's pledge to start cutting taxes after that. A strong revenue performance will be crucial to achieving a budget deficit of even close to 3 per cent of GDP in 1997.

Luckily for Mr Chirac, the French tax system is so inefficient that reforming it offers an opportunity to "cut taxes" without cutting revenues. Thanks to a complex web of deductions and tax loopholes, only around half the adult population pays any income tax and those that do pay very little. As a result, top marginal

rates are among the highest in the industrial world, at nearly 66 per cent, yet the ratio of income tax revenues to GDP is among the lowest.

The system's other major failing - a direct consequence of the first - is the burden it imposes on employment income. Relative to GDP, revenues from social security payroll taxes are the highest in the OECD. Throw in a 20.6 per cent rate of Vat, and you have a system designed to ensure that the only people who pay for the country's elaborate system of poverty alleviation are the poor, or nearly poor, themselves (not least those who are kept out of work by the high level of non-wage labour costs).

Mr Juppé's preview yesterday of the five-year tax reform plan he will be presenting to parliament in the autumn showed that he understood what effective reform would involve. First, lower income tax rates and far fewer exemptions. And second, broadening the base of many social security contributions by shifting them away from payrolls. The worry is that the government will be too timid in translating these principles into concrete reforms. France has repeatedly shied away from the kind of comprehensive tax reforms which many countries carried out during the 1980s, and has paid the price for this in high unemployment and lost competitiveness. Five years is too long to wait to see this redressed.

# Regulating BT

Oftel, the UK telecommunications regulator, has proposed a radical shift in its approach to the industry. This offers long-term gains for consumers, but exposes inadequacies in the rules governing regulation itself.

The proposals are based on the robust principle that competition is preferable to price controls. They have broad implications, which the government needs to consider as soon as possible. Oftel wants to remove direct price caps from a large part of British Telecom's business, but give itself much stronger powers to stamp out anti-competitive behaviour.

Under the new regime only 25 per cent of BT's revenues would be subject to price restrictions, compared with 64 per cent at present. Residential customers who do not use their telephones much would still be protected. After inflation, prices in this sector would be required to fall by 4.5 per cent a year, compared with the real annual reduction of 2.7 per cent during the last six years.

So far, BT has cut prices to business customers much more sharply than to residential users, partly to reflect its true costs. The latest pricing formula would probably move the balance back towards the home-owner.

But can competition really deliver the predicted benefits in the rest of the market? There are now about 140 companies competing to supply telecommunications services. If they are to thrive, they, as much as BT, require an

open market with the minimum of pricing regulations. But BT will remain overwhelmingly the dominant supplier, with a strong interest in beating off competitors wherever it can. So a strong umpire is needed.

Mr Don Cruickshank, Oftel's director general, is therefore proposing to take sweeping new powers to stamp out unfair competition. This is necessary, because the present system for challenging anti-competitive practices is extremely cumbersome, possibly requiring a change to BT's licence and reference to the Monopolies and Mergers Commission.

The new proposal confronts a difficulty, however. Oftel would be arrogating to itself powers of intervention which, however desirable, were not envisaged in the 1984 Telecommunications Act. Companies affected by these new powers would inevitably contest the decisions as arbitrary - but challenging them in the courts would be slow and expensive.

Oftel is, in short, proposing a much changed role to reflect a level of competition which few people predicted when BT was privatised. The Government needs, therefore, to give it a new legal framework. At a minimum this should define its powers to enforce fair trading. And since such issues will be contentious, Oftel might be better structured as a commission than as a one-man band. Alternatively, it might be a streamlined mechanism for appeal. A timely change in the law could prevent much bitterness.

# Millennium calls

How fitting, perhaps, that it should be proving so hard to find a suitable home for the UK's proposed Millennium Exhibition. If plans for a \$500m extravaganza in Greenwich bite the dust through lack of corporate interest, as appears increasingly likely, then the focus should shift to a more modest celebration.

Last year's Hyde Park festivities to mark the 50th anniversary of VE day show what can be done on a relatively modest budget. A national bash could be provided for a fraction of the \$500m, or indeed of the £200m which the Millennium Commission is proposing to dispense from its lottery bonanza. And Birmingham could re-enter the frame, if ministers swallowed their prejudice against a national celebration taking place outside London.

As for making a lasting "statement" to greet the millennium, it was never self-evident that yet another exhibition complex answered the call. If the Greenwich construction, is in any event only to be temporary, then it fails even on that score.

In short, the Millennium Commission should start from scratch and invite new suggestions for an appropriate project. There is still plenty of time.

ions devoted to "good causes". The exhibition itself is not strictly a case of matching funding, since it is *sub generis* as a project, and intended to be at least partly a commercial proposition. But the reluctance of the private sector to stump up to meet any large part of the cost is all too typical of lottery projects.

A study last month of the 124 arts projects asking for over £100,000 in lottery funding - which are obliged to raise a quarter of their project costs through their own efforts - found that of the £80m these applicants were seeking from the corporate sector only 24 per cent has so far been confirmed. Similar stories are heard from the other lottery sectors, notably heritage.

In the short term, changes to the matching funding rules may be needed to reduce the proportion of non-lottery funding required. These should be considered alongside more widely touted changes to allow the lottery to fund project running costs, and not just capital as is now generally the case.

However, this debate raises the wider question of the desirability of the lottery's existing "good causes". Lottery income has far exceeded projections. It is time to reconsider the case for handing billions more to the arts, heritage, and grand projects for the millennium when many other deserving causes are clamouring at the gate.



# A way out of the beef stew

## Caroline Southey, Alison Maitland and Peter Norman on the difficulties in ending the dispute between the UK and its EU partners

Making the peace will be a lot harder than declaring hostilities. As the UK again wielded its veto and Europe's agriculture ministers considered lifting the export ban on British beef by-products, both sides in the so-called beef war could agree on one point yesterday. The 15 European Union nations will not easily find an overall settlement which will restore the punctured pride of Mr John Major's administration and meet the deeply felt concerns of its continental partners.

Since the British government announced over two months ago that there may be a link between BSE, or mad cow disease, and the fatal human condition Creutzfeldt-Jakob disease (CJD), science and politics have become dangerously entangled. Mr Major's decision to escalate the dispute by blocking all other EU business has made them inseparable. And two weeks into this latest stage in the conflict, the science remains uncertain and the politics unpredictable.

Finding a framework for the lifting of the ban will mean fitting together dozens of pieces in a three-dimensional jigsaw. First must come a practical programme to guarantee the safety of British beef which meets the concerns of the European Commission and most of the other 14 EU states. That will be hard enough, given the scepticism in continental Europe about the effectiveness of efforts so far to tackle the disease.

Even then Mr Major will have to calculate whether any agreement will command support inside the Conservative party. Senior colleagues such as Mr Michael Heseltine and Mr Kenneth Clarke want a deal at or before the Florence summit on June 21. But Tory Eurocrats, emboldened by Mr Major's initial stand, are warning him against a retreat. The sceptics, with some support in the cabinet, see an opportunity to hold Mr Major

hostage in a wider struggle against the EU.

Then comes a third dimension - the calculation which other EU governments must make as to whether they should bow to UK pressure. Some no doubt want the issue settled quickly. But others, most notably Germany, face intense hostility among their own farmers and consumers to any relaxation of the ban. Others still may simply decide not to respond to British blackmail.

In a tour of European capitals this week Mr Malcolm Rifkind, the foreign secretary, and Mr Douglas Hogg, the agriculture minister, will focus first on the practical considerations. There is an appreciation in London that its programme to eradicate BSE needs explanation in other EU capitals. The government's failure to inform the European Commission until minutes before its announcement on March 20 of the possible link between BSE and the new strain of CJD was followed by a series of other communication failures.

The publication yesterday of a 120-page document detailing the measures the UK government has taken to combat the disease is designed to recoup some of the lost ground. It explains the ban on the sale of beef in Britain from animals over 30 months, pointing out that about 1m cattle will have been destroyed by the end of the year. The government is also working on a "beef assurance scheme" which would allow back into the food chain specialist beef cattle over 30 months from herds that have never had BSE and that have been reared entirely on grass. Less than 5 per cent of annual production will be affected, but most of the animals will come from prestige herds in Scotland and Northern Ireland.

A separate system of compulsory "passports" for all cattle will track each animal from farm to market and abattoir. A national computer database system will be established to monitor the movements. Mean-

while, funding for the Meat Hygiene Service has been doubled this year to nearly £30m. Showing a willingness to consider new ideas, the government is also to make possession of animal feeds likely to cause BSE a criminal offence.

Mr Hogg's most controversial proposal is the selective slaughter of up to 80,000 cattle at greatest risk of contracting BSE. In the first year this slaughter would reduce the total number of BSE cases - 8,000 this year and 5,000 next - by 30 per cent at most. While some EU members feel this is not radical enough, British farmers may ultimately regard it as pointless - and the UK government has promised to respect their views.

In Brussels meanwhile, British and European Commission officials are attempting to slot such measures into a framework for the progressive lifting of the ban. There is no dispute over the basic approach. Assuming the ban UK exports of gelatine, tallow and semen is lifted within the next few days, a "causal" relationship would then be established between lifting the ban on other products and the measures needed to ensure they are safe.

One London priority is to lift restrictions on exports to third countries. 60 in all, which are barred from re-exporting beef or beef products to the EU. Another is ending the ban on the export of British calves and beef from BSE-free herds.

But one of the many ironies of the dispute is that Mr Major, the most strident defender of the sovereignty of the EU's nation states, cannot secure a deal merely by satisfying the Commission. Instead, he must meet the concerns of other member states. "We have to satisfy a wide spectrum of concerns," says one UK official in Brussels. "At the one end is Germany deeply resistant to any moves to lift the ban. At the other end is Sweden which feels this

whole process is embarrassing." The Bonn government looks certain to resist any easing of the ban in the foreseeable future. Germany's consumers have been giving beef from all sources a wide berth since March. Opposition to imports is also very strong among the federal states or Länder, at least four of which imposed their own bans on British beef and beef products before the March crisis. Any relaxation by the federal government would have to be approved by the Länder in the Bundesrat, the second chamber of parliament in Bonn.

The position of the federal ministry of agriculture is that the UK has not yet produced a convincing system to combat BSE. Mr Helmut Kohl, the German chancellor, is expected to discuss the issue with Mr Rifkind on the margins of a Nato meeting in Berlin later today. Mr Rifkind and Mr Hogg will also meet Mr Klaus Kinkel, the German foreign minister, Mr Horst Seehofer, the health minister, and Mr Jochen Borchert, the agriculture minister, for talks in Bonn on Wednesday.

It is unclear what these discussions can yield. The absence of firm suggestions from the Bonn government has prompted some diplomats to speculate that Germany will not back any easing of the restrictions until BSE has been completely eradicated. German officials are worried that contaminated animal feed is still in circulation in the UK. They are concerned also that the authorities cannot control what is going at farm, feed-producer and slaughterhouse level.

Ultimately, Germany alone may find it impossible to block a framework agreement. But Mr Major also needs to mend fences in other EU capitals. "Faith in the proposed framework will only be forthcoming if Britain inspires confidence. Few governments are confident that the UK government is in a hurry to find a solution to the BSE crisis," is the comment of one Dutch diplomat. Such tensions have been exacerbated by the policy of non-cooperation. The next few weeks are packed with ministerial meetings providing Britain ample opportunity to wield its veto and appease the Tory Eurocrats. But with every blocked decision, the EU's collective temperature rises, destroying the goodwill needed for a compromise. And Germany is not alone. Austria remains deeply sceptical about the UK's commitment to eradicate BSE and its ability to implement measures. Portugal, the Netherlands, Belgium and Luxembourg have also voted for the ban on exports of gelatine, tallow and semen.

Ministers from other EU governments, echoing the calls of senior British politicians such as Mr Douglas Hurd, the former foreign secretary, are calling for a speedy end to the policy of non-cooperation. "It must reach a point where the resistance by continental member states is such that they get as bloody-minded as the British," Mr Ivan Yates, the Irish agriculture minister, warned yesterday.

Thus there have been suggestions in Brussels that France, hitherto supportive of Mr Major's position, could withdraw its backing. The atmosphere of mistrust is fed by a suspicion among some officials that the prime minister does not want a deal - that he wants to fight the UK general election while at war with the rest of Europe.

With some imagination it is possible, just, to see the awkward shapes of this jigsaw being slotted together during coming weeks. But for all the disruption he is causing elsewhere in the EU, Mr Major can take nothing for granted. He may secure a framework for the lifting of the ban - but he has little or no prospect of winning a firm timetable for its implementation.

If the dispute is to be settled, others in Europe will undoubtedly be obliged to compromise. But so too will the British prime minister. Otherwise expect a long, bloody war.

# OBSERVER

## No Labour of love

With the sound of Benjamin Netanyahu's victory rallies still ringing in Jerusalem streets, the knives have come out within the Labour party over the succession to Simon Peres.

Labour insiders say their leader, who has failed in five attempts to win outright the prime ministerial election, must now go. Labour's constitution allows a leisurely 14 months to find a replacement, but two contenders have lost no time. On one side is Ehud Barak, the slick 54-year-old foreign minister and former army chief; on the other, Haim Ramon, 46, the interior minister.

## End game

The writing on the wall for Edward Reuter would seem to be becoming more and more legible. The man who left behind a loss of DM5.7bn, Germany's biggest ever corporate shortfall, at Daimler-Benz last year looks as if he may be in retreat from a number of the other boards he graces.

Professor Ekkehard Wenger, the influential scourge of German annual meetings who has developed an especially healthy dislike of Reuter, has just filed a motion to have Reuter removed from the board of Viag, the Munich-based conglomerate. Why? "The man is unbearable," Wenger

## Nasty mismatch

It seemed the dream team, playing the dream match: Ili Nastase, the flamboyant former tennis star, running for mayor of Bucharest, his home town, on the ticket of the powerful Social Democrats (PDSR), the governing party.

But, as the first unofficial results began to trickle in yesterday, it looked like playboy "Nasty" had been trounced by a dour trade union leader.

## Losing lament

Russia becomes more like a normal country by the day - although some locals may doubt whether this is a good thing. The elections for mayor of St Petersburg are a case in point, showing that vicious muck-raking electoral battles, common enough in Washington or Rome, have finally reached the land of Lenin.

The city's defeated mayor, Anatoly Sobchak, blamed his defeat on "massive, professional defamation by my rival's election team". Meanwhile, his deputy-turned-rival, Vladimir Yakovlev claimed Sobchak's supporters had been no less mean, accusing him of mafia links and media manipulation. Democracy can be a messy thing.

## 100 years ago

Cuba and the States Washington - The Foreign Relations Committee have taken no action on Mr Morgan's resolution recognising the belligerency of the Cuban insurgents. From an informal discussion, however, it appeared that some of the members were doubtful as to whether it would do the cause of the Cubans and the Americans in Cuba more harm for the resolution to be reported, and the Senate then to adjourn without taking action than for the committee not to act on the resolution.

## 50 years ago

The French Elections As a result of the French elections, the strongest party in the new constituent assembly is now certain to be M.R.P. Although a number of results have still to come in from the colonies, these are not expected to change the complexion of the results to any great extent. The Bourgeois reacted unfavourably to the election result. It is expected that M. Bidault, the outstanding leader of the Popular Republicans, will attempt to form a tripartite Government. There is little doubt that the Socialists, who are the real losers in the elections, will co-operate, but there is less certainty about the Communists.

French PM to spread welfare costs more widely Juppé vows progressive cuts in tax and spending

By David Buchanan in Paris

Mr Alain Juppé, the French prime minister, last night pledged to cut income tax progressively over five years...

encourage consumers to spend more by holding out the prospect of lower taxes, and to give himself time to prepare the politically sensitive reforms.

spending cuts of at least FF700bn to counter unavoidable rises in state debt servicing and other fixed charges.

Supporter of Yeltsin loses city election hit by scandal

By John Thornhill in Moscow

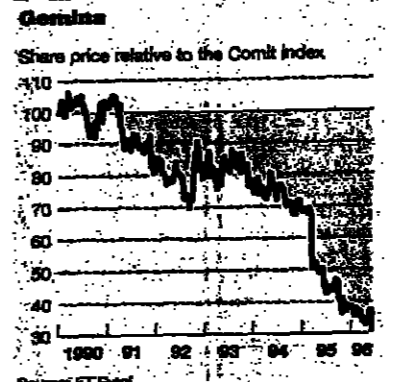
Mr Anatoly Sobchak, mayor of St Petersburg and one of the country's best known liberal politicians, has been voted out of office after a bitterly fought election...

THE LEX COLUMN

Tarnished gem

Gemina came within inches of becoming one of Europe's largest conglomerates, via a proposed merger with Ferruzzi Finanziaria...

FT-SE Eurotrack 200: 1726.1 (-10.4)



the regulator says he expects this price review to be the last. BT is unlikely to turn such an attractive offer down.

Tesco

base in a hopelessly competitive market, should be closed or sold. That might enable the engines division, which has a strong new product range and good technology, to survive.

Tesco's latest loyalty card innovation looks particularly smart. The supermarket chain has reinforced its position as market leader by coming up with a bold new concept: a loyalty charge card which pays 5 per cent interest on cash balances and charges only 9 per cent on overdrafts.

BT

So much for the Spottiswoode factor: if nothing else, yesterday's restrained review of British Telecommunications' prices should dispel fears that the gas regulator's recent blitz would start a trend.

Furthermore, it is a clever way of achieving a marketing victory in the extremely competitive food retailing market without cutting prices.

KHD

Germany's willingness to mount yet another rescue of Klockner-Humboldt-Deutz is astounding. This is the third refinancing attempt in seven years and this time the engineering group may have lost a massive DM950m (\$625m) - nearly three times its shareholders' funds - on old contracts.

But of course there had to be a loser. It is less than a month since J. Sainsbury announced its own plan to launch a loyalty card - well behind similar initiatives from Tesco and Sainsbury.

In short, it is the withdrawal of regulation that is important in this review: even in the residential market,

Pressure grows on Netanyahu to pursue Mideast peace talks

By Edward Mordimer in London

Arab and western leaders yesterday increased pressure on Mr Benjamin Netanyahu, Israel's prime minister-elect, to continue with the Middle East peace process started by the defeated Labour government.

Such statements give a firm message to Mr Netanyahu, who has ruled out a Palestinian state and any meeting with Mr Arafat.

But he did not mention peace with Syria and Lebanon, or give any sign he would be willing to withdraw from Arab territory.

UK steps up veto policy over EU beef ban

Continued from Page 1

ber states, a move strongly backed by Britain. Mr Clarke, defended the policy of non-cooperation which he said had been forced on Britain by the lack of co-operation from its partners.

blocked a resolution declaring 1997 to be the EU's year against racism; a recommendation to help women get top jobs; a resolution on the transparency of vocational training certificates; and an agreement to produce annual EU-wide demographic reports.

tax on cut flowers was also vetoed. Today in Luxembourg, Mr Michael Howard, the home secretary, is expected to block measures to fight crime and terrorism.

At a parallel meeting of EU social affairs ministers, Britain

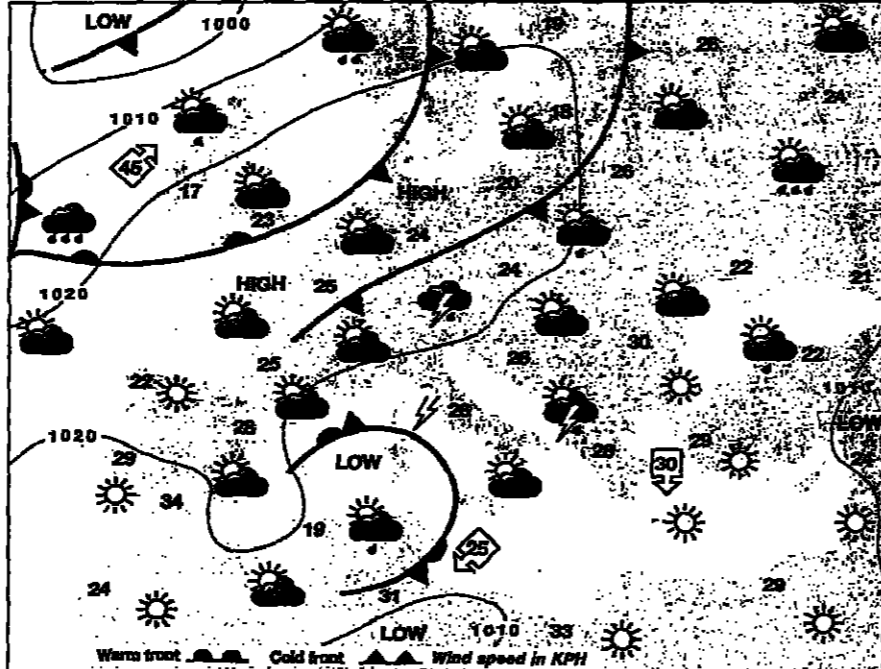
A move to reduce value added

question of immense importance", he said yesterday.

FT WEATHER GUIDE

Europe today

Warm air over southern Europe will slowly spread north. As a result, afternoon temperatures in most of France will exceed 25C while the Benelux will have maximums around 20C.



Five-day forecast

Occasional thunder showers will affect Italy and the Balkan states during the next few days. Most of Europe will be warm but the Benelux, France and Germany will be unusually hot.

TODAY'S TEMPERATURES

Table with columns for location, temperature, and weather conditions. Includes cities like Madrid, Beijing, Caracas, etc.

Lufthansa logo and slogan: 'The airline for people who fly to work.'

Advertisement for Siebe plc and Unitech plc, featuring a world map and the text 'The undersigned acted as financial adviser to Siebe plc and underwriter of the cash alternative in this Offer. MORGAN STANLEY & CO. June 1996'



## COMPANIES AND FINANCE: EUROPE

## Gemina shares fall 9% on news of losses

By Andrew Hill in Milan

Shareholders in Gemina, which include some of Italy's largest corporate dynasties, saw the value of their investment tumble almost 9 per cent yesterday, following last Friday's announcement of heavier than expected losses.

Minority shareholders in the Italian investment company, including small savers and fund managers, are planning to press for further information ahead of the annual meeting on June 28 or 29. The meeting will be their first opportunity to quiz the board since the col-

lapse of last year's ill-fated attempt to merge Gemina with Ferruzzi Finanziaria (Ferfin), the holding company.

On Friday, well after the markets had closed, Gemina reported a net consolidated loss of L632bn (\$408.2bn) for 1995, compared with the group's November forecast of a net loss of L465bn, and the 1994 loss of L261.6bn.

The company's shares fell 3 per cent on Friday after RCS, the group's publishing and media subsidiary, revealed that it had lost more than expected. It reported a deficit of L729bn, some L140bn worse than fore-

cast, due to heavier restructuring costs and delays in completing a magazine alliance with Burda of Germany. Yesterday, Gemina's shares fell by L61 to L635.

Gemina had to exclude its wholly-owned finance company Gemina Capital Markets from the consolidated results because the Swiss authorities blocked the transfer to Italy of information about certain Swiss subsidiaries on legal grounds.

Gemina is one of Italy's 30 largest quoted companies and is controlled by a shareholder pact headed by Fiat, the auto-

motive and industrial group. Mediobanca, the Milan merchant bank, Prelli & C, parent company of the tyre and cable manufacturer, and Generali, Italy's largest insurer.

In September, the pact backed the "SuperGemina" plan to merge with Ferfin, which controls the Montedison industrial holding company.

The plan was shelved and the board reshuffled six weeks later, after further losses emerged at RCS and magistrates put 10 executives and former executives of the group under investigation for alleged falsification of accounts.

Assorisparrino, an association of small shareholders, yesterday urged the new board to supply investors with the outline balance sheet for 1995 well ahead of the annual meeting.

The association is planning action against former executives, but Mr Adamo Gentile, Assorisparrino's president, said yesterday: "We don't want to declare war on this board."

Gemina, which said it had detected signs of a recovery in the first months of 1996, said it finished 1995 with net cash of L914bn, following last spring's L1,525bn rights issue. Lex, Page 18

## Postbank earnings quadrupled to DM226m

By Michael Lindemann in Bonn

Postbank, the German postal savings bank which is trying to fight off a hostile bid from Deutsche Post, reported that 1995 net profits rose fourfold, from DM61m in 1994 to DM226m (\$148m).

Mr Günter Schneider, chief executive, said he expected the bank, which is due to be listed on the stock exchange in 1996, to be able to repeat the results this year, despite the "more difficult environment" caused by lower interest rates.

The main problems, Mr Schneider said, were caused by a 4.6 per cent drop in net interest received to DM3.15bn. Net commissions also slipped, by 3.6 per cent to DM910m, as customers preferred to do their banking by telephone.

However, despite the lower interest rates, Mr Schneider said he was confident that Postbank - which is still 100 per cent state-owned and 80 per cent of whose employees are civil servants - would be able to improve its efficiency enough to report similar profits this year.

He said the bank also expected to be able to improve the profitability of its own-account trading, where earnings in 1995 were almost doubled to DM45m.

Deutsche Post launched a hostile takeover for Postbank last September, aided by Deutsche Bank and Swiss Re, the reinsurance group. Yesterday, Mr Schneider said the difficult talks with Deutsche Post, mediated by the London investment bank Schroders, were nearing a successful conclusion.

"We are no longer discussing [that Deutsche Post] takes a majority stake in Postbank," he said.

"Now we are talking about a stake which would be below 25 per cent, and I think that is a discussion which is tending in the right direction."

"One thing has to be clear - Postbank is not there, and does not want to be there, just to clean up the balance sheets of other companies."

## NEWS DIGEST

## UK insurers may buy Argentaria business

The merged UK group being formed by Royal Insurance and Sun Alliance might be a possible purchaser of the general insurance arm in Spain of Hercules Hispania, according to the unit's parent company, the Argentine banking group.

Argentaria yesterday said this year it no longer considered general insurance a core business. The banking group indicated yesterday negotiations had taken place with Royal Insurance or Sun Alliance about a deal possibly worth more than \$80m (\$122.8m). It said it was also in contact with other potential buyers. Neither Royal nor Sun Alliance would comment on "speculation". It is unlikely any deal would be agreed before their merger is completed, expected next month. However, they have indicated they would be looking for continental European expansion. Both have Spanish operations. Tom Burns, Madrid and Ralph Atkins, London

## Mediaset flotation held up

Consob, the Italian financial markets watchdog, will not be able to approve the flotation prospectus of Mediaset, Mr Silvio Berlusconi's media company, until the end of the week. Consob officials said Mr Enzo Berlanda, the Consob president heavily involved in the process, would be out of Italy until late on Wednesday. Mediaset had originally planned to begin its investment roadshow on Wednesday or Thursday. Italian newspapers at the weekend cited Consob sources saying the judicial investigations into Fininvest Mediaset's majority shareholder, would not present obstacles to the prospectus approval. Andrew Hill, Milan

## AGF employee tranche taken up

The tranche of shares reserved for employees of Assicurazioni Generali di Franco, the insurance group being privatised, was nearly fully subscribed, according to preliminary estimates. The 6.2m shares allocated to staff at a discount to the public offer price were just about taken up.

Government figures over the weekend indicated that more than 800,000 individuals had demanded shares, at FF7122 each, in the retail tranche of the privatisation. This was twice the number predicted by some initial estimates and more than three times the number allotted. The order value was FF6.7bn (\$1.3bn). The institutional tranche was over-subscribed more than six times. The privatisation should net FF5.5bn - FF9.3bn for the state. Andrew Jack, Paris

## Bosch deputy chairman dies

Mr Friedrich Schiefer, deputy chairman of Robert Bosch, the German automotive components and engineering company, has died, aged 57. A former executive at McKinsey, the management consultancy, he joined the Allianz insurance concern in 1984, moving to Bosch eight years later.

He was set to succeed the late Wolfgang Schiaren as chairman of Allianz, Europe's biggest insurance group, in October 1991. But the company announced three months before the proposed handover that Mr Schiefer, then finance director, was leaving. Personal reasons were cited, but there was speculation that policy disagreements, partly related to Allianz's costly expansion in the US and eastern Germany - played a part. The assertive Mr Schiefer may also have ruffled feathers by backing Italy's Prelli in its controversial attempt to acquire Continental, the German tyre maker. He was then a member of Continental's supervisory board.

Mr Schiefer was born in Leverkusen and studied management and economics. He joined Bosch in 1992 and ran the US operation before becoming deputy chairman in July 1993. Andrew Fisher, Frankfurt

## Enichem to sell L200bn stake in Montefibre

By Andrew Hill

Enichem, the chemicals subsidiary of Eni, Italy's state-controlled oil, gas and chemicals company, is to complete its restructuring with the L200bn (\$129bn) sale of its majority stake in Montefibre, a quoted Italian manufacturer of synthetic fibres.

The sale - through a public offer of the ordinary and savings shares owned by the Eni group - will reduce Enichem's debt by a further L160bn.

At the same time, Finlme, a family-owned Italian textile and engineering group, is considering a public offer of about 45 per cent of Montefibre at L1,200 per ordinary share, compared with Montefibre's current market price of L1,160.

Enichem and its sister companies, Chemfin and Soid, are

to sell 66.4 per cent of Montefibre's ordinary shares and 66.5 per cent of its savings shares through an offer to existing Montefibre shareholders, an institutional placing and a public offer next month. The group will offer ordinary shares with warrants, convertible into savings shares, at L1,100 each.

Finlme said its offer was subject to approval by Consob, the Italian financial markets watchdog, and to a two or three-week examination of Montefibre's factories by Orlandi and Sant'Andrea Novara, the two Finlme companies which will carry out the bid.

The restructuring of Enichem has been the most difficult part of the general reorganisation of Eni set in motion by Mr Franco Bernabè, the group's chief executive.

Three years ago, many an-



Franco Bernabè: Initiated reorganisation of Eni

lysts thought Eni would have to be privatised without Enichem, which lost L2,688bn in 1993.

Following painful cuts and

disposals of non-core businesses, which halved the workforce to 16,000, it made a net profit of L1,063bn in 1995, easing the partial sale of the treasury's 100 per cent stake in Eni last autumn.

The combination of L3,500bn of disposals and a L3,000bn recapitalisation by Eni had cut Enichem's net debt to L1,735bn by end-1995, compared with L3,355bn at the end of 1993.

The restructuring, piloted by Mr Marcello Colitti, Enichem's chairman, has also concentrated the group on its core businesses of base chemicals and plastics.

Montefibre employs 2,600 people, mostly in Italy, and last year reported a net profit of L42bn, on turnover of L1,302bn. The Finlme group employs 1,700 people and has sales of L462bn, 44 per cent outside Italy.

Banque Paribas and Mediobanca, the Milan-based merchant bank, have been advising Eni on the Montefibre transaction.

## Bank Handlowy seeks listing as it heads for record

By Christopher Bobinski in Warsaw

Poland's state-owned Bank Handlowy wants to see a start made next year on its privatisation with a listing on the Warsaw Stock Exchange. Mr Cezary Stypulkowski, the bank's chief executive, said yesterday.

"Foreign investors will be included in the process but decisions have yet to be taken on whether they should be portfolio investors or a strategic partner," he said, adding that "the interests of our 125-year old bank should be paramount in determining that choice."

"A change in our status is essential,"

Mr Stypulkowski continued, "as the Handlowy has to have access to funding which a listing on the stock exchange would facilitate."

Mr Stypulkowski's remarks came with the publication of last year's results showing a 420.8m zloty (\$162m) net profit. Of this, about 80 per cent is to be used to raise the bank's capital to 1.5bn zlotys, making BH the largest of Poland's banks.

The first five months of this year have seen BH's net profit rise to 273m zlotys, suggesting the bank is set to report record results for 1996.

Mr Stypulkowski said yesterday that BH appeared now to have to be

excluded from the government's controversial bank consolidation programme.

Under this scheme, BH would have been bundled up with a state-owned regional bank in Szczecin and handed the treasury's 47 per cent stake in the listed Bank Przemyslowo Handlowy in Krakow.

But after months of debate, the government now appears to see the state-owned PKO SA bank acting as a leader for a financial group made up of three regional banks in Lodz, Szczecin and Lublin, while the treasury's stake in BH would be sold to private investors. This would mollify the European Bank for Reconstruction and Development,

and ING, the Dutch financial group, which own minority stakes in the BPH and have protested at plans to link that bank to BH.

Meanwhile, the state-owned Powszechny Bank Kredytowy, which is to be privatised later this year, is positioning itself at the centre of a new banking group.

PBK's plans included the purchase of stake worth 38m zlotys in the listed Kredyt Bank, giving it a 21.5 per cent share of Kredyt's equity. PBK has also signalled plans to purchase a 30 per cent share in the Polish Development Bank, which is also listed on the Warsaw Stock Exchange.

## GENBEL

## Genbel South Africa Limited

(Incorporated in the Republic of South Africa)  
(Formerly "Genbel Investments Limited")  
(Registration number 0532379/06)  
(Genbel South Africa)

## Genbel Securities Limited

(Incorporated in the Republic of South Africa)  
(Formerly "Unison Investments Limited")  
(Registration number 7702124/06)  
(Genbel Securities)

The unbundling of Genbel South Africa:  
Results of the Election

## 1. INTRODUCTION

Rand Merchant Bank Limited and ABSA Corporate and Merchant Banking are authorised to announce the results of the election ("the election") by shareholders of Genbel South Africa ("shareholders"), postal acceptances of which closed on Friday, 31 May 1996.

## 2. RESULTS OF THE ELECTION

Alternative	Number of Genbel South Africa shares for which alternative was elected	Percentage of Genbel South Africa shares
1. Genbel South Africa	29 314 170	6.75
2. Cash	3 903 231	0.90
3. Share distribution	273 150 156	62.85
4. Genbel Securities and cash	116 702 047	26.85
5. Genbel Securities and Genbel South Africa	11 511 372	2.85
Total	434 580 976	100.00

Shareholders who did not timeously elect any of the alternatives available to shareholders retained their investment in Genbel South Africa.

## 3. EFFECT OF THE ELECTION ON GENBEL SOUTH AFRICA

	Prior to the unbundling (as at 24 May 1995)	Pursuant to the unbundling (as at 24 May 1996)
Number of shares in issue	434 580 976	37 903 249
Issued share capital (R'000)	43 458	3 790
Share premium account (R'000)	562 754	7 854
Net asset value (R'000)	5 225 609	559 481
Net asset value per share (R)	12.02	14.76
Number of Genbel Securities shares held	108 645 244	7 328 543

Notes

- Pursuant to the approval obtained on Tuesday, 21 May 1996 from the Supreme Court of South Africa of the capital reductions of Genbel South Africa and the elections made by shareholders, the issued share capital of Genbel South Africa has been reduced from R43 458 098 to R3 790 325. The share premium account has been reduced from R562 754 901 to R7 853 718.
- The above values of Genbel South Africa do not include the value of the shares to be distributed in the second phase of the unbundling nor the Genbel South Africa 'A' shares relating thereto.

## 4. FOREIGN SHAREHOLDERS

Cheques in respect of the cash offers and/or fractional entitlements will, in the instance of foreign shareholders, be issued in pounds sterling.

Sandton  
4 June 1996

The shareholders of  
SANDVIK AKTIEBOLAG

are hereby called to a Special General Meeting of the Company to be held on Tuesday, 18 June, 1996, at 3:00 p.m. at the offices of Sandvik Coromant, Mossvågen, Sandviken, Sweden.

## AGENDA

1. Election of Chairman of the Meeting; preparation and approval of the list of shareholders entitled to vote at the Meeting; election of one or two minute-checkers, and determination of whether the Meeting has been duly convened.

2. Approval in accordance with §10 in the Articles of Association of the divestment of the Company's holding of shares in Tampack Oy (Tampack) in Oy Tampella Ab (Tampella). The holding represents 25% of all shares outstanding in Tampack and the purchase price is FIM 323 M.

In conjunction with the transfer, Sandvik will subscribe for a three-year convertible debenture loan in Tampella in a nominal amount of FIM 322 M and with the possibility during the term to convert to 28 million Tampella shares. A cash amount of FIM 31 M is being paid.

After full conversion and considering Sandvik's shareholding in Tampella at 29 May 1996 (64,376,087 shares) and assuming unchanged relationships in other respects, Sandvik will own 92,376,087 Tampella shares corresponding to 57.5% of the capital and votes in the company.

## NOTIFICATION

Shareholders who wish to participate in the Meeting should notify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, Sweden or by telephone, +46 (0)26 26 10 81 or telex, +46 (0)26 26 10 86. Such notification must be received by Sandvik AB not later than 3:00 p.m., Thursday, 13 June 1996. To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by Vårdeprensörernas VPC AB (Swedish Securities Register Centre) as of Friday, 7 June 1996. Shareholders whose shares are registered in the name of a trustee must have timeously re-registered the shares in their own name not later than 7 June 1996.

The notification should state the shareholder's name, national registration or corporate identity number, address and telephone number. Sandvik AB will confirm receipt of the notification by forwarding an admission card which is to be presented at the entrance to the Meeting venue.

Sandviken, 29 May 1996

SANDVIK AKTIEBOLAG; (publ)  
Board of Directors

**SANDVIK**

To the holders of  
Mortgage Capital Trust I  
Collateralized Mortgage Obligations, Series A  
Class A-1 Bonds Due 1st June, 2017

Notice is hereby given that the interest rate on the Class A-1 Bonds for the interest period 1st June, 1996 through 1st September, 1996 is 6.1% per annum.

By: Bankers Trust Company, as Trustee.

Southcorp Finance USA Inc.  
(Formerly SAB Finance Inc.)

U.S. \$60,000,000

7½% Guaranteed Convertible Bonds due 1998  
(the "Bonds")

Guaranteed by Southcorp Holdings Limited  
(formerly S.A. Brewing Holdings Limited)

Redemption at the option of the Company

Notice is hereby given to all holders of the Bonds, pursuant to Condition 8(b) of the Bonds, that the Company shall redeem all outstanding Bonds on 2nd August 1996 (the "Redemption Date") together with the Conversion Bonds attached thereto.

The redemption price will be 101.25% of the principal amount of the Bonds. The redemption price of the Conversion Bonds is the principal amount paid up thereon.

Bonds should be presented for redemption together with all unremitted Coupons relating thereto, taking which the face value of any unremitted unremitted Coupon will be deducted from the sum due for payment. Any amount so deducted will be paid against surrender of the relevant Coupon within five years from the Redemption Date (as defined in Condition 10 of the Bonds) in respect of such Coupon.

Bonds and Coupons will become void unless presented for payment within a period of ten and five years, respectively, from the Redemption Date.

NOTICE IS FURTHER GIVEN THAT, in accordance with Condition 4(a) of the Conditions of the Conversion Bonds, the conversion right attaching to each Bond shall terminate at the close of business on 25th July 1996. A Bondholder may convert any Conversion Bond into Ordinary Shares by delivering that Conversion Bond with the relevant Bond at the specified office of a Conversion Agent (detailed below, together with a duly completed and signed Conversion Notice in the current form obtainable from the specified office of a Conversion Agent).

## IMPORTANT - for illustration only

Value of Ordinary Shares into which each  
U.S. \$5,000 Bond is convertible (i) U.S. \$4,373.76  
Redemption price per U.S. \$5,000 Bond U.S. \$5,062.51  
Interest for Year Ending 2nd August 1996 U.S. \$ 375.00  
Total redemption value U.S. \$5,437.51

(i) Based on the last sale price for Southcorp Holdings Limited Ordinary Shares, as derived from Australian Stock Exchange Limited, for 28th May 1996 (being the last practicable date before publication of this notice) of A\$3.88 per Ordinary Share and a Conversion Price of A\$3.70 per Ordinary Share, ignoring rounding (using the fixed rate of exchange of A\$1.00 = U.S. \$0.7673814 to calculate the number of Ordinary Shares a Bondholder is entitled to and the 28th May 1996 exchange rate of A\$1.00 = U.S. \$0.76933 to calculate the US dollar value of the Ordinary Shares acquired). Rounding adjustments will not be issued upon conversion and no cash adjustment will be made. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Ordinary Shares to be issued on conversion are to be registered in the same name, the number of such shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of the Bonds being so converted.

## PAYING AND CONVERSION AGENTS

The Chase Manhattan Bank, N.A.  
Corporate Trust Department  
Woolgate House, Coleman Street, London EC2P 2HD  
Chase Manhattan Bank  
Luxembourg S.A.  
5 Rue Pictoris  
L-2338 Luxembourg-Grand  
Banque Bruxelles Lambert S.A.  
24 Avenue Maréchal  
B-1050 Brussels  
Belgium

B. L. Chapman  
on behalf of Southcorp Finance USA Inc.

4th June 1996

USD 30,000,000.00 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIE N° 88/944, TR1  
SGA SOCIETE GENERALE ACCEPTANCE N.V.  
FRF 300,000,000 FLOATING RATE NOTES DUE JUNE 2004  
ISIN CODE : XS0048009011

For the period June 03, 1996 to September 02, 1996 the new rate has been fixed at 7.915625 % p.a.

Next payment date : September 02, 1996  
Coupon rate : 8  
Amount : FRF 2 000,00 for the denomination of FRF 100 000  
FRF 20 008,94 for the denomination of FRF 1 000 000

The Principal Paying Agent  
SOCIETE GENERALE BANK & TRUST - LUXEMBOURG



This announcement appears as a matter of record only.



Mastellone Hnos. S.A.  
Republic of Argentina

US\$75,000,000  
Financing for the Company's  
Corporate Investment Program

US\$55,000,000  
Senior Term Loan

Provided by  
International Finance Corporation  
and through Participations in  
the IFC Loan by

The Sanwa Bank Limited, New York Branch  
Rabobank Curaçao n.v.  
Nederlandse Financierings-Maatschappij voor  
Ontwikkelingslanden n.v.  
Banco Exterior (Suiza) S.A.

US\$20,000,000  
Convertible Income Participating Loan

Provided by  
International Finance Corporation



INTERNATIONAL FINANCE CORPORATION  
A Member of the World Bank Group

April 1996

This announcement appears as a matter of record only.



SanCor Cooperativas Unidas Ltda.  
Republic of Argentina

US\$70,000,000  
Financing for the Company's  
Corporate Investment Program

US\$50,000,000  
Senior Term Loan

Provided by  
International Finance Corporation

and through Participations in  
the IFC Loan by  
Rabobank Nederland, Agri-Project Finance Team  
Crédit Lyonnais S.A.  
Vereins- und Westbank AG  
ARGENTARIA-Banco Exterior

US\$20,000,000  
Convertible Income Participating Loan

Provided by  
International Finance Corporation



INTERNATIONAL FINANCE CORPORATION  
A Member of the World Bank Group

March 1996

## WORLD ACCOUNTING REPORT

World Accounting Report is succinct and accurate and has a reputation for finding out what its readers need to know. Using its world network of professional correspondents, this monthly newsletter provides you with comprehensive coverage of new developments in accountancy and their practical implications for your business.

As a subscriber to World Accounting Report, you will be kept abreast of:

- International developments in accounting practice
- Changes in national and international financial reporting requirements
- The impact on business of accounting developments
- New national and international opportunities
- Techniques for dealing with accounting problems in other systems

To receive a FREE sample copy, contact:  
Charlotte Green  
FT Financial Publishing, Maple House,  
148 Tottenham Court Road, London W1P 9LL, UK  
Tel: +44 (0) 171 896 2314 Fax: +44 (0) 171 896 2319



FINANCIAL TIMES  
Financial Publishing

## COMPANIES AND FINANCE: ASIA-PACIFIC/INTERNATIONAL

# Japan Tobacco shares hit by offer plans

By Emilio Teraszono  
in Tokyo

Japan Tobacco, Japan's state-owned tobacco company, has set in train plans for a second public offering of shares held by the government, sparking fears of over-supply on the Tokyo stock market.

JT shares plunged 4.83, 0.00, or 4.7 per cent, to 7881,000 as the company submitted a report to the finance ministry. A total of 272,380 shares, left unsold in JT's initial share offering at the time of its listing in 1994, are scheduled to be

offered this month. The sale would leave the government with two-thirds of the company.

The JT offering is the first of several government sell-offs planned for this year. The finance ministry has been forced to postpone its share-offering plans, including JT's, due to the sluggish Tokyo stock market of the past few years, and more than twice as fast as in the US. That has translated into inflation-busting wage deals, which have taken average pay packets for line workers in the motor industry to \$2,000 a month before tax. Matters have recently been exacerbated because the lower yen has restored some of Japan's lost competitiveness.

Moreover, the buoyant domestic car market that has fuelled Hyundai's expansion may be slipping. This year's forecast growth in gross national product of 7.5 per cent sounds high, but it is a sharp fall from the double-digit rises of the early 1990s. Economists are hoping the government can engineer a "soft landing" to prevent demand for consumer goods, like cars, collapsing.

Mong-Gyu Chung, the new chairman of Hyundai Motor, will be able to combine the cerebral with the commercial when he visits the UK in a few weeks. The Oxford-educated head of South Korea's biggest car-maker will be belatedly visiting his alma mater to collect his master of arts degree. A day later, he will swap dons for directors when he rubs shoulders with motor industry executives at the British Grand Prix.

The Silverstone meeting should give Mr Chung, one of the youngest heads of a big subsidiary of a Korean chaebol (conglomerate), his first opportunity to assess his counterparts. Such contacts could be useful given Mr Chung's view that Hyundai, long regarded as one of Korea's most determined and independent-minded chaebols, should co-operate more with other car-makers.

In an interview, he indicated that recent talks with Peugeot of France about buying diesel engines marked a first sign of Hyundai's new attitude. The company retains close links with Mitsubishi of Japan, which has provided some car-making technology, but he says "we'd also like to talk more to others".

One reason for the change of heart may lie in the new challenges facing Hyundai after years of steady growth. Like Korea's other car-makers, Hyundai is being squeezed between upstart, lower-cost, Asian rivals and higher-tech, technology competitors from Japan, Europe and the US. Korea's cost advantages have

been eroded by relatively high inflation. Consumer prices have risen five times faster than in Japan in the past five years, and more than twice as fast as in the US. That has translated into inflation-busting wage deals, which have taken average pay packets for line workers in the motor industry to \$2,000 a month before tax. Matters have recently been exacerbated because the lower yen has restored some of Japan's lost competitiveness.

Moreover, the buoyant domestic car market that has fuelled Hyundai's expansion may be slipping. This year's forecast growth in gross national product of 7.5 per cent sounds high, but it is a sharp fall from the double-digit rises of the early 1990s. Economists are hoping the government can engineer a "soft landing" to prevent demand for consumer goods, like cars, collapsing.

Matters will be aggravated in early 1997 when production starts at Samsung Motors, the new automotive subsidiary of the powerful electronics and trading group. "Samsung is what they're afraid of," one local analyst says. "It has the best management and the deepest pockets of any chaebol, thanks to earnings from electronics and semiconductors".

Samsung's debut will seriously challenge Hyundai in the domestic market. Until now, Hyundai has managed to maintain a market share of almost 50 per cent, in spite of incursions by Kia, Daewoo and Ssangyong, its smaller rivals. Samsung, however, is in a different league. Backed by Nissan technology, it expects

to build about 80,000 mid-sized cars in its first year. Output should soar thereafter as part of a \$18bn investment plan to make the company one of the world's leading car-makers by 2010.

Mr Chung believes Hyundai can retain its market share. Behind the official facade, however, analysts say the company expects its long-term market penetration to fall to a minimum of 35 per cent and probably more like 40 per cent.

Hyundai's defence is based on extending its range beyond its current four main models and improving quality. A sleek new coupé, the Tiburon, which is the first Korean-built sports coupé to be sold at home, has just gone on sale.



Hyundai's Tiburon attacks the home sports coupé market

The Tiburon will break the monotony of a market dominated by bland sedans. Until now, Korea's four car-makers have had little incentive to expand their ranges because domestic demand has been buoyant and imports have been kept at bay by protectionist barriers. Japanese vehicles, for example, are banned in Korea.

But as Korean drivers become more demanding and imports make more of an impact, Hyundai will have to alter its strategy of building large volumes of relatively limited ranges. Mr Chung says the company is working on innovations. A sub-compact minicar will appear in late 1997, followed by a multi-purpose

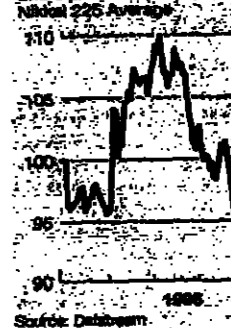
following year, was no different, and 40 per cent of the initial offering was left unsold.

In spite of yesterday's jitters among investors, the government hopes that the JT offering will not have a negative impact on the market.

It will use the book-building method to assess demand for the shares, rather than determining the offer price through a preliminary bid, which has tended to boost the share price. Nomura Securities and the London arm of Goldman Sachs are lead underwriters, and are scheduled to start assessments next week.

Japan Tobacco

Share price relative to the Nikkei 225 Average



Source: DataStream

# Chung plans new route for Hyundai Motor

vehicle (people carrier) in 1999. "We have to introduce more variety in the domestic market", he says. Improving quality is the other tactic. "Quality at the moment is the biggest issue for us."

Mr Chung argues the styling of Hyundai cars has improved immeasurably. But he admits work is still required on engines, transmissions and chassis to produce "world class" cars. The company is boosting spending on research and development to improve noise, vibration and harshness in recognition of the problems.

Broadening the range and improving quality should also help Hyundai abroad. The new mini-car, for example, forms a significant part of the company's strategy to break into India. Mr Chung hopes to start producing the mini-vehicle and a larger counterpart near Madras by the second half of 1996. The smaller vehicle "will be a direct competitor" to the Maruti, India's best-selling car, he predicts.

Better quality should also help Hyundai avoid the mistakes of the late 1980s, when its booming US sales collapsed as customers found their cars enjoyed less-than-Japanese reliability. Although North American sales have returned to a stable 130,000 units a year, that is less than half their 1987-88 peak.

"At that time, we were overconfident", Mr Chung says. Perhaps a dash of humility, alongside Hyundai's legendary drive and determination, is the most important quality the new chairman can provide.

Haig Simonian

## Philippine National Bank goes private

By Edward Luce in Manila

The Philippine National Bank, the country's largest in terms of assets, was yesterday incorporated as a private bank, six months after the government reduced its share to below 50 per cent.

PNB officials said the change, made official yesterday by Manila's Securities and Exchange Commission, cleared the way for a thorough reorganisation.

The bank, whose shares closed steady yesterday at 460 pesos almost double the value last December, when the government became a minority shareholder - intends to more than double its authorised capital stock to 25bn pesos (\$954.6m) at its first private shareholders' meeting on July 16. It will also increase the board from nine to 11 directors.

With the Philippine banking sector growing by 30 per cent a year, PNB, which posted net profits of 2.1bn pesos in 1995, says it will move swiftly to revamp the former state-owned institution into a lean private sector bank. Its 8,000-strong payroll - roughly double the workforce of Metrobank, the largest Philippine bank in terms of market capitalisation - is expected to be cut to about 6,000 within two years.

"Yesterday's change of status will have far-reaching consequences for PNB, not least

by putting it on a level playing field with its major competitors," said Ms Meluchi Adriano, an analyst at ING Barings in Manila.

The change of status will allow PNB to divest non-performing assets, including its former headquarters in the business district which has a market value of around 4bn pesos. The scrapping of government requirements will enable the bank to move more aggressively into the rapidly expanding consumer loan market.

With a price-to-book value of under two (considered a more effective measure of a bank's share value than the price ratio), PNB is considered a good growth prospect in relation to other large banks. Metrobank's price-to-book value is almost four.

Peters gets into a position of power. This [offer] may add some degree of stability to the market.

The New Zealand Debt Management Office is offering a repurchase price of yield to maturity plus fixed spreads ranging from 0.35 per cent to 0.10 per cent on the yankee notes, and 0.15 per cent for the sterling bonds.

Morgan Stanley will be exclusive dealer manager for the yankee notes, and BZW will act as exclusive agent for the loan stock.

The buy-back will remain open until June 14 for the sterling bonds, and June 26 for the yankee notes.

## KLSE sets rules on short selling

By James Kyngs  
in Kuala Lumpur

Malaysia yesterday announced its first regulatory framework governing the short selling of shares. The move is part of a broader programme to add depth and sophistication to the country's booming financial markets.

The rules will restrict short selling to shares in about 30 of the "bluest of blue chip" companies listed on the Kuala Lumpur Stock Exchange, said Mr Khairil Anuar Abdullah, a director of the Securities Commission.

Such selling occurs in Malaysia but it is not regulated. Officials said the KLSE may be ready to implement the new rules from August or September, paving the way for call and put options trading on the Kuala Lumpur Options and Financial Futures Exchange (Kloffe).

Kloffe, Malaysia's first financial futures exchange, was launched in November 1995 but has seen only modest volumes. Call and put options trade would boost its fortunes, securities analysts said.

The Securities Commission has ruled that short selling

may occur only in the most liquid of shares. The average monthly share volume has to be more than 2m; registered shareholders must number more than 2,000 and the company must have at least 100m shares in a public float.

To ensure a high degree of transparency, brokers must report new short positions by 5pm on the day after they were taken and the KLSE must make public all short positions within two days. If the KLSE feels the short interest in the market has reached an "undesirable" level, it may suspend short selling activities.



INKOMBANK

SPONSORED AMERICAN DEPOSITARY  
RECEIPT (ADR) FACILITY

Established by



For information please contact  
Kenneth A. Lopian (212) 515-2084 in New York,  
Michael C. McAuliffe (0171) 322-6336 or  
Christopher Kearns (0171) 322-6322 in London.

This announcement appears as a matter of record only.

COMPANIES AND FINANCE: THE AMERICAS

# Univar board backs \$500m bid from Dutch group

By David Brown in Amsterdam

Pakhoed, the Dutch oil and chemical storage company, has launched a public offer for all outstanding shares of Univar Corporation, the US chemical distribution company in which it holds a 28 per cent stake.

In a cash offer unanimously endorsed by the Univar board, Pakhoed proposes to buy the outstanding 26.6m shares for \$19.45 each - which values the bid at almost \$500m. Univar shares were trading at \$18.45, up

36%, in mid-session yesterday. Pakhoed said it had already agreed to acquire 5.1m shares held by Dow Chemical of the US and others, which would bring its total stake to 51 per cent. Pakhoed valued the remaining shares at \$15.50m (\$304m).

Univar is a market leader in the North American chemical distribution market, with a turnover of \$2bn, and an important group in the UK, Scandinavia and Switzerland. By integrating Univar's operations with those of Lambert Riviere, a French company it

acquired in 1995, Pakhoed said it would become the second-largest chemicals distribution group in Europe. It has a presence in France, Italy, Spain, and Portugal.

The deal is to be financed by existing liquidity, bank credit lines, and a tranche of preference shares to be issued in the second half of this year. Mr Klaas Westerdijk, Pakhoed chairman, said it was an important step in the company's strategy to become a leading global contender.

"We are laying a strong base for

further profit growth of Pakhoed in the future," Mr Westerdijk said. However, in the short term, the acquisition will be accompanied by a reorganisation to include Univar's US operations. Other measures will include a divestiture of Pakhoed's Furness subsidiary, which is involved in logistics and port services, as well as restructuring at its Seaport Terminals and of its Rotterdam facilities for mineral and edible oils handling.

These measures will involve extraordinary expenses and have "a

significant impact" on net profit this year. However, Pakhoed said the result from "ordinary operations" would remain roughly unchanged.

Pakhoed said Univar's activities, to be consolidated from July 1, would make an immediate contribution to its bottom line, despite the fact that Univar made only a small profit last year. It also plans to expand further in the east Asian oil and chemical transport markets.

In 1995, Pakhoed increased net profits from \$192.7m to \$121.5m.

NEWS DIGEST

## Canadian Marconi surges in final term

Canadian Marconi, the defence electronics group moving into commercial products, posted fourth-quarter net profit of C\$8.6m (US\$4.8m), or 27 cents a share, up from C\$1.6m, or 7 cents, a year earlier, as a result of better margins and rising productivity. Revenues were C\$82m against C\$80m.

The company, 51 per cent held by GEC of the UK, almost doubled earnings in the year from C\$4.7m, or 20 cents, to C\$9.1m, or 38 cents, on sales flat at C\$251m. Commercial business reached 46 per cent of sales, and the order backlog at March 31 was C\$150m against C\$206m a year earlier.

Robert Gibbens, Montreal

## DFR to warn on Inco bid close

Diamond Fields Resources will provide four days' advance warning of the planned closing date for Inco's C\$4.3bn (US\$3.1bn) takeover. The deal was to have closed on May 29, but this was delayed by a lawsuit filed by former Texas associates of Mr Jean Raymond Boule, DFR co-chairman. DFR shareholders will have four days to decide which option they wish to accept under the Inco bid.

Robert Gibbens

## Private interest in Ontario Hydro

The crown-owned Ontario Hydro - one of Canada's two largest electric power utilities - confirmed it was negotiating possible private-sector investment in its nuclear generation system. Industry reports claim Morgan Stanley Canada has made an approach with an offer from private investors.

Robert Gibbens

## SB to buy Colombia drugs group

SmithKline Beecham, the Anglo-US drugs group, is to acquire Italmex, a Colombian pharmaceuticals company with sales of \$19m, to bolster the Colombian OTC drugs business that it acquired from Sterling Health in 1994. Italmex's main drug is paracetamol, accounting for 40 per cent of sales.

Jerry Luesby

# HP claims computing record Nasdaq company faces suit

By Louise Kehoe in San Francisco

Hewlett-Packard, the US computer group, has claimed a performance record in the technical workstation sector with machines used in complex design and modelling applications.

The HP machines, introduced yesterday, are based on a new version of the company's Pa-Risc microprocessors and are almost three times faster than existing HP workstations.

HP, number two in the \$5.2bn world market, saw technical workstation revenues grow 25 per cent last year, faster than those of Sun, which led the market last year with about a 30 per cent share.

The new machines mean designers of complex structures such as an aircraft wing, or a microchip containing millions of transistors, could shave weeks off the months that it might take to complete such a project, said Mr Dick Watts, vice-president and general manager of HP's computer systems organisation.

In particular, HP has lifted the 3D graphics performance of its workstations. While easily outpacing Sun's fastest workstations, the new HP machines are also three times faster than Silicon Graphics' highest performance graphics workstation, HP claims.

In terms of raw computing power, HP also claims to have overtaken the current perfor-

mance leader, Digital Equipment. Performance is a critical competitive issue in the engineering and scientific market, where engineers seek the ability quickly to render complex graphic models for mechanical and electrical design.

HP also unveiled intranet software to enable engineers linked to computer networks to collaborate more efficiently. The software, which incorporates a Netscape browser, allows engineers to find stored files more quickly.

HP's technical intranet software would help engineers become more productive through faster data access, said Mr Mark Canepa, general manager of HP's workstation division.

By Maggie Urry in New York

The US Securities and Exchange Commission has filed a lawsuit against Comparator Systems, alleging the company and three of its officers broke securities laws. The company, involved in fingerprint identification technology, has denied the charges.

Trading in the company's shares on Nasdaq was halted by the National Association of Securities Dealers on May 8 after the share price leapt from a few cents to nearly \$2 in four days of remarkably heavy trading, and then fell sharply.

The SEC's complaint alleges that Comparator, Mr Robert Rogers, its chairman, Mr Greg

ory Armijo, a director, and Mr Scott Hitt, a former vice-president, overstated the company's assets so as to pass the Nasdaq's minimum size requirements to maintain its stock quotation and to enable it to sell shares to investors.

The SEC alleged: "The defendants (including Comparator itself) sold tens of millions of shares of Comparator stock to investors while making material misrepresentations concerning the financial status of the company."

The NASD has already launched a review of its maintenance standards in the wake of the episode.

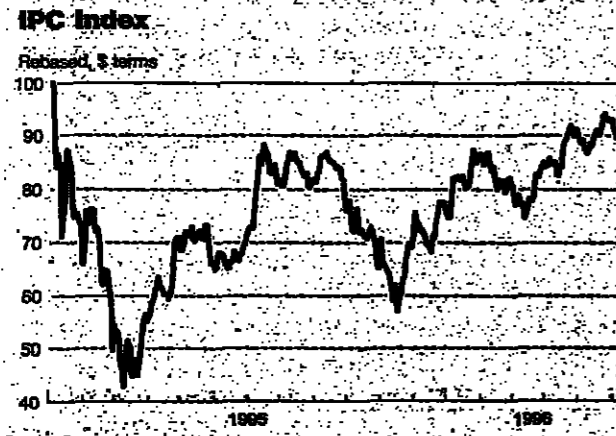
At present, a company quoted on Nasdaq's SmallCap market must have assets of \$2m to maintain the quote.

The SEC complaint also alleges that the company stole a new generation of fingerprint technology and told investors it owned the technology, which had substantial market potential.

A group of investors who bought shares after they rose sharply has already filed a lawsuit against the company. The group said last month it was reviewing the valuation of \$4.4m of assets.

Comparator went public in 1979 but is not profit-making. The SEC's complaint covers the accounts for the years ending June 1994, June 1995, and financial statements for the first three quarters of the current year.

# Mexican search for maturity leads to Chicago



## The bourse has launched offshore derivatives, reports Laurie Morse

The Mexican stock exchange, the Bolsa Mexicana de Valores, helped launch offshore derivatives in its benchmark IPC equity index in Chicago last week. The move is expected to encourage greater international participation in the Mexican stock market.

The rare co-operation between the BMV, the Chicago Mercantile Exchange and the Chicago Board Options Exchange is a precursor to Mexico opening its own domestic derivatives market this autumn. Although the Chicago contracts could provide stiff competition to the BMV's own derivatives, Mexican stock exchange executives say the benefits outweigh the risks.

"We have seen a major integration of our economies," says Mr Manuel Robledo, BMV chairman. "Not recognising the relevance of globalisation to our markets would be a mistake."

The IPC index contracts launched in Chicago will provide international money managers with a facility to hedge or perform arbitrage trades using the Mexican share market and Chicago's corresponding dollar-based futures and options contracts.

Historically, the ability to limit risk from share holdings with exchange-traded derivatives has greatly increased liquidity and international participation in equity markets. The BMV has an automated order delivery system, similar to the New York Stock Exchange's Dot system, that allows traders to buy all 35 stocks in the IPC index simultaneously to help arbitrage.

Mexican government regulations aimed at limiting systemic financial risk sidelined the BMV's own plans to trade IPC-based futures and options after the 1994 peso devaluation and currency crisis. However, those regulations are in the process of being relaxed, and Mr Robledo is confident the BMV will be able to open its derivatives market this September.

"All our technical systems are working perfectly," he says. "We are just awaiting some details from the government." The government recently asked for public comment on new derivatives rules and has now issued regulations that allow share borrowing and lending - a feature crucial for portfolio asset allocation.

Once the regulatory details

are in place, the BMV plans to launch futures on the IPC index denominated in pesos, as well as futures on the Ceta, the three-month Mexican Treasury instrument, and a peso/US dollar futures contract. Mr Bernardo Gonzalez-Arechiga, the BMV's senior vice-president for derivatives, says the futures contracts would be traded in open outcry on the BMV's floor, while options would follow on an electronic system.

The Chicago exchanges have promised to provide technical and educational support for the BMV's derivatives initiative. While the CME's peso and IPC futures contract may compete head-to-head with similar futures on the BMV, there are enough differences to offer some trading opportunities, says Mr Hernando Saba, executive director for derivatives at Serfin, a Mexican investment company.

The launch of the Mexican equity derivatives coincides with revival in the country's stock market. Despite the economy's devaluation, foreign investment in Mexican equities has held relatively constant at about 27 per cent of market capitalisation, and has crept up to about 29 per cent in the past four months.

"What we find is that foreign investment didn't actually leave Mexico, or what did leave was replaced (after the currency crisis), at least in the equity sector," says Mr Gerardo Flores Deuchler, the BMV's chief executive officer. Although the IPC index plunged 39 per cent after the devaluation, it had fully recovered by March 1995, and by May 22 this year it had reached a record 3.352.

The CME has already found there is significant global demand for Mexican risk management products. Its year-old US dollar/peso futures contract has open positions with a notional value close to \$1bn.

The BMV's Mr Gonzalez-Arechiga says the Chicago's futures contracts on pesos and the IPC index will actually provide a barometer for his exchange. Cross-market co-operation "is one of the things we are looking for," he says. "It will be a sign of market maturity for us if we can succeed with cross-margining and cross-hedging agreements between our derivatives and those in Chicago."

**Aetna Life and Casualty Company**

has agreed to merge with

**U.S. Healthcare, Inc.**

J.P. Morgan & Co. is acting as a financial advisor to Aetna Life and Casualty Company on this US\$5.9 billion transaction

**JPMorgan**

Pending

**Hannover Rückversicherungs AG**

DM 250,000,000

Revolving Credit Facility

J.P. Morgan Securities Ltd. acted as arranger on this transaction

**JPMorgan**

November 1995

**INA Financial Corporation**

a subsidiary of

**CIGNA Corporation**

has completed a financial restructuring and recapitalization of its property and casualty operations

J.P. Morgan & Co. acted as financial advisor to INA Financial Corporation on the restructuring

**JPMorgan**

March 1996

**GE Global Insurance Holding Corporation**

US\$600,000,000

7% Notes due 2026

J.P. Morgan & Co. acted as lead manager of this issue for a new holding company formed by GE Capital Services and Employers Reinsurance Corporation

**JPMorgan**

February 1996

**The Manufacturers Life Insurance Company**

has sold its UK life operations to

**The Canada Life Assurance Company**

Morgan Guaranty Trust Company of New York acted as financial advisor to The Manufacturers Life Insurance Company

**JPMorgan**

March 1995

**Travelers/Aetna Property Casualty Corp.**

J.P. Morgan Capital Corporation has made an equity investment of US\$200 million in this new property and casualty company

**JPMorgan**

April 1996

**UAP Holdings Limited**

£370,000,000

Private Placement of Term Loan due 2000

J.P. Morgan Securities Ltd. acted as arranger of this transaction for the holding company of the UK and Irish operations of the UAP Group

**JPMorgan**

December 1995

**Xerox Corporation**

has agreed to sell

**Talegen Holdings, Inc.**

**The Resolution Group**

to

**Kohlberg Kravis Roberts & Co.**

and existing management

J.P. Morgan & Co. acted as a financial advisor to Xerox Corporation on this US\$2.7 billion transaction

**JPMorgan**

Pending

## Advice and capital for the insurance industry

**JPMorgan**

These announcements are neither an offer to sell nor a solicitation of an offer to buy any of these securities and appear as a matter of record only. J.P. Morgan Securities Inc., Morgan Guaranty Trust Company of New York and J.P. Morgan Securities Ltd. acted as either advisor, lead manager or arranger on these transactions. © 1996 J.P. Morgan & Co. Incorporated. J.P. Morgan Securities Inc., member of SIPC, Morgan Guaranty Trust Company of New York and J.P. Morgan Securities Ltd. are regulated by the SFA.

**The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark**  
(Kongeriget Danmarks Hypothekbank og Finansforvaltning)  
U.S. \$100,000,000

Guaranteed Floating Rate Notes due 2005 unconditionally and irrevocably guaranteed by The Kingdom of Denmark

For the six month Interest Period 3rd June, 1996 to 2nd December, 1996 the Notes will carry a Rate of Interest of 5.325 per cent. per annum, with Coupon Amounts of U.S. \$134.60 and U.S. \$2,692.08 per U.S. \$5,000 and U.S. \$100,000 Notes respectively. The relevant Interest Payment Date will be 2nd December, 1996.

Bankers Trust Company, London Agent Bank

**CITICORP MORTGAGE SECURITIES, INC.**  
U.S. \$57,057,000  
(Initial Secured Amount of Class A-1 Certificates)

REMIC Pass-Through Certificates, Series 1987-13

For the period 1st June, 1996 to 31st September, 1996 the Class A-1 Certificates will carry an interest rate of 6.25% per annum with an interest amount of U.S. \$0.86 per U.S. \$1,000 (the Initial Secured Amount of an individual Certificate) payable on 1st September, 1996. The Secured Amount of the Certificates outstanding will be 5.52625999% of the Initial Secured Amount of the Certificates, or U.S. \$55.26 per individual Certificate until 1st September, 1996.

Bankers Trust Company, New York Agent Bank

**SOCIETE GENERALE**  
USD 500,000,000 UNDATED SUBORDINATED FLOATING RATE NOTES  
ISIN CODE: FR0006202550

For the period May 31, 1996 to November 29, 1996 the new rate has been fixed at 5.6875% p.a.

Next payment date: November 29, 1996  
Coupon: 20  
Amount: USD 285.59 for the denomination of USD 10,000  
USD 285.57 for the denomination of USD 100,000

The Principal Paying Agent  
SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

**BRADFORD & BINGLEY**  
\$15,000,000 Series 17  
Floating rate notes due May 2000

Notice is hereby given that the notes will bear interest at 6.18% per annum from 31 May 1996 to 30 August 1996. Interest payable on 30 August 1996 will amount to \$1,530.04 per \$100,000 note.

Agent: Morgan Guaranty Trust Company  
JPMorgan

**WOOLWICH - Building Society -**  
\$40,000,000 Series 47  
Floating rate notes due May 2000

Notice is hereby given that the notes will bear interest at 6.18% per annum from 31 May 1996 to 30 August 1996. Interest payable on 30 August 1996 will amount to \$1,530.04 per \$100,000 note.

Agent: Morgan Guaranty Trust Company  
JPMorgan

COMPANIES AND FINANCE: UK

**Facia's shoe shops go into administration**

By William Lewis, John Mason and Christopher Brown-Humes

Shoe shops belonging to the Facia Group were yesterday put into administration after accountants KPMG withdrew a High Court challenge to have them placed into receivership along with other parts of the group.

After lengthy out-of-court negotiations, KPMG and United Mizrahi Bank, which has lent £7m (\$11m) to Facia, agreed to drop their challenge to three Facia shoe subsidiaries being put into administration.

Lawyers for Sears, which petitioned for an administrator to be appointed to the shoe shops it sold to Facia, said that Mr Stephen Hinchliffe, chairman of Facia, had not opposed the administration order.

KPMG's decision to back down means that approximately 380 shoe outlets, including Freeman Hardy Willis, Trueman and Curragh will now be managed by Price Waterhouse, appointed as administrators.

On Saturday, United Mizrahi Bank called in KPMG as receivers to the Facia Group and approximately 500 of its speciality outlets - including Contessa, Oakland and Torq - after deciding to call in its £7m loan.

Grant Thornton, receivers to Salisbury, another part of the Facia Group, said that together with KPMG more than 30 "expressions of interest" had been received from potential purchasers for different parts of the Facia Group.

Separately, Mr Hinchliffe said in an interview with the Financial Times that he was negotiating with several US investors in an attempt to regain control of the Facia businesses in receivership by paying off United Mizrahi Bank.

Mr Hinchliffe claimed that Facia had been withholding payments to Sears because it had provided "insufficient stock and insufficient services". Sears denies this.

At the weekend KPMG said Facia had debts of about £30m and had lost £3m in the past 16 weeks. However Mr Hinchliffe said Facia's debts were no more than £7.5m and recent losses were due to it having been "the worst three months of trading year".

Mr Hinchliffe said that he was providing "full co-operation" to KPMG who yesterday gained access to Facia's head office in Sheffield.

**Barclays to merge private banking**

By Motoko Rich

Barclays Bank has applied for a separate banking licence for its London-based private banking businesses in an effort to offer an integrated asset management service to wealthy clients.

It will unite under one legal umbrella its four London-based private banking operations, which manage £2.8bn of funds. The banking licence will allow the four businesses to operate as a separate entity which can provide independent advice - as opposed to "tied advice" which would only allow the businesses to recommend Barclays products.

The move highlights strong growth in the market for managing the assets of "high net worth" individuals.

According to Lloyds' Private Bank, a rival, the market is expanding at an annual rate of about 6 per cent. Last year, assets placed in Barclays' London-based businesses grew 28 per cent. It said about half the assets managed in London were from domestic clients.

The new UK subsidiary will provide investment management services, trust and fiduciary management, as well as traditional banking services such as current accounts. Its average client puts £1m of funds under management.

Barclays' UK private banking services includes BZW Portfolio Management and Barclays Private Trust.

LEX COMMENT  
**Yorks Water**

If this is the "punishment" for its failures during last summer's drought, Yorkshire Water has been let off lightly. Despite the water regulator's harsh words, there is no rebate for Yorkshire's customers, merely a commitment by the utility to raise next year's prices by less than previously agreed. This will cost Yorkshire just £40m in lost income, spread over three years, at a time when it will be making annual profits of over £200m. Nor should it prove too difficult to make up a chunk of that lost revenue by squeezing out further efficiencies from the core business: the company's cost base is still about £400m.

Of course Yorkshire need not have given away anything at all. Since it was not in breach of its licence conditions the water regulator had no legal powers to force it to give up revenue before the next periodic review in 1998. But with the company in such bad odour with the public, its new management has been falling over itself to accept blame and make amends. Apart from the £40m price reductions, the group has now promised a total of £220m of additional investment to improve supplies and reduce leaks.

Shareholders may ask what they are getting out of all this. One answer is that, if Yorkshire has cleared the air vis-à-vis the regulator, it should be able to revive its plans for a share repurchase. The group's balance sheet is under-utilised and it could buy back at least 30 per cent of its shares (for about £300m) without seriously stretching its finances. If it does not, a predator will surely do the job for it.

Source: FT Estel

**Sears' investors unhappy**

By Ross Tleman

Liam Strong, the chief executive of Sears, is facing increasing criticism from disgruntled shareholders after Facia Group, the buyer of its unwanted shoe shops, went into receivership.

Fund managers at one leading Scottish investment institution said yesterday they were prepared to lead calls for his resignation this year unless he implemented a satisfactory recovery for Sears.

Dissatisfaction with the management of Sears deepened after the company lifted provisions in respect of the disposals to £74m. An extra £25m of provisions were needed after the collapse of Facia because it emerged that Sears had retained freeholds or leases of many of the shops, and owned much of the stock.

The Scottish institutional shareholder said yesterday: "If he doesn't turn things round in the next couple of months he is going to be out on his ear." He added: "He is not performing. The market and the shareholders are running out of patience."

Some shareholders are sympathetic to the company's difficulties. They were faced with a choice of closure costs or a potential sale that resulted in a lower charge. The net results appear to be pretty similar," said the head of one English institution.

Analysis is less charitable. "Over the last few years Strong's and Sears' credibility have gradually eroded," said one. "We are entering the endgame of the current strategy."

Whitbread wrote yesterday to Mr David Lloyd asking the former tennis player to clarify whether he wished to remain involved with the tennis and health club business he sold to Whitbread last year for £500m (£304m).

The letter from Mr Peter Jarvis, Whitbread's chief executive, followed weekend reports that Mr Lloyd was considering resigning because he was denied a management role in David Lloyd Leisure since it became a division of the brewing and leisure group.

He is chairman of the division on a salary of £340,000 a year but management control passed to a three-man Whitbread team led by Mr Steve Philpott, managing director.

"He's important as a figurehead to wheel out for events and we want him to stay but if he goes it won't make much difference to running the business," Whitbread said.

Mr Lloyd had been expected to make a statement yesterday but did not. "David is seeking to clarify his management position but he's not trying to wrest back management control," a spokesman for him said yesterday.

Mr Lloyd believed he still had a leading role to play in the company.

**David Lloyd asked to clarify his role**

By Roderick Oram, Consumer Industries Editor

**RESULTS**

	Turnover (£m)	Pre-tax profit (£m)	EPS (£)	Current payment (£)	Date of payment	Dividends (£m)	Total for year	Total last year
Adson	186.5 (90.5)	10.5 (3.91)	30.31 (12.5)	2.8	Aug 30	2.1	3.8	3.1
Cleveland Trust	4.09 (2.22)	1.02 (0.77)	0.81 (0.1)	3.35	July 12	3.3	5.8	5.7
Faber Trust	45.1 (47.2)	1.28 (2.44)	1.51 (17.21)	8	-	6	17	17
Manila Insurance	20.3 (89)	11.1 (8.03)	10 (7.4)	3.7	Aug 18	3.7	5.55	5.56
Independent Parts	95.1 (18)	3.7 (2.6)	12.58 (9.82)	4	Aug 15	-	6	-
South Staffs Water	61.6 (80)	15.8 (14.3)	194 (173)	54	Jul 1	49	77	68
Statis	95.8 (82.9)	12 (11.3)	2.38 (2.21)	0.95	Sept 5	0.75	1.75	1.75
Wetzel	12.4 (15.1)	0.26 (4.37)	5.31 (5.1)	1.5	July 31	-	-	-
Walshomes	96 (95.8)	2.08 (10)	2 (10.8)	3	Aug 6	3	4.5	4.5
Whitcroft	143.3 (131.2)	6.08 (12.7)	14.1 (24.2)	3.25	Aug 12	2.75	5	4.25

	NAV (£m)	Attributable earnings (£m)	EPS (£)	Current payment (£)	Date of payment	Corresponding dividend	Total for year	Total last year
INCT	377.5 (306.7)	3.67 (2.54)	24.43 (16.82)	0.25	July 16	0.4	18.25	15
NCT S	40.5 (29.2)	2.69 (0.288)	4.13 (0.44)	2	July 16	8	3.55	0.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. \*After exceptional charge. †After exceptional credit. ‡In increased capital. †Comparatives pro forma.

**Sharp rise in results in first quarter for Fortis**

Fortis is an international financial group. It is active in the field of insurance, banking and investment in Western Europe, the United States and Australia through more than 100 Fortis companies. Fortis has over 30,000 employees.

It is possible to invest in Fortis through the shares and depositary receipts for shares in its two parent companies, Fortis AG and Fortis AMEV, each of which owns 50% of Fortis.

Fortis AG is listed on the exchanges of Brussels, Antwerp, London and Luxembourg. Fortis AMEV is listed on the exchanges of Amsterdam, London and Luxembourg and has a sponsored ADR program in the United States.

Fortis' results in the first quarter of 1996 rose extraordinarily sharply compared with the first quarter of 1995. Net profit rose by 29%, while the operating result increased by 25%. This growth is attributable in particular to its banking operations. The results of its insurance activities in the Benelux and Spain also developed well. Total income increased by 9% to ECU 4.8 billion; the autonomous rise amounted to 4%. Movements in exchange rates on balance had a slightly positive impact on Fortis' results.

The earnings per share of Fortis AG and Fortis AMEV rose by 25% and 22% respectively.

**Key figures Fortis AG and Fortis AMEV**

	Fortis AG (in BEF)			Fortis AMEV (in NLG)		
	First quarter 1996	First quarter 1995	Increase in %	First quarter 1996	First quarter 1995	Increase in %
Net earnings per share	74	60	23	2.36	1.94	22
Equity per share	2,460	2,249 *	9	85.71	79.74 *	7

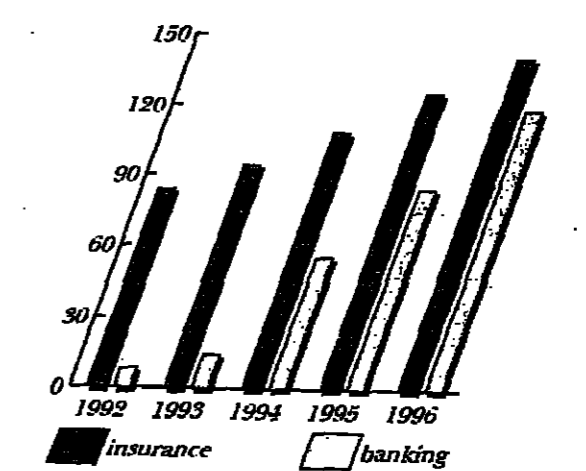
\* Year-end 1995.

**Key figures Fortis**

(in ECU million)	First quarter 1996	First quarter 1995	Increase in %
Total income	4,842	4,449	9
Operating result	245	195	25
Net profit	157	122	29
Net equity	5,056	4,776 *	6
Total assets	127,771	125,486 *	2

\* Year-end 1995.

Operating result Fortis first quarter 1992 - 1996 (in ECU million)

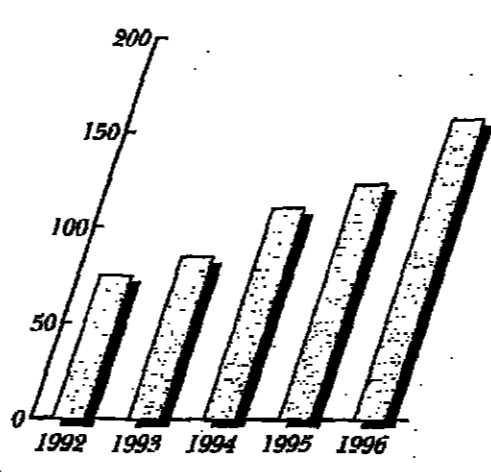


**Prospects**

The high percentage increases were caused in part by the fact that the results of the first quarter of 1995 were comparatively very low, especially in the banking sector, and the capital gains realized in the insurance sector. These exceptionally high percentage increases can therefore not be expected in the quarters to come. Consequently, Fortis is maintaining the forecast it made earlier: barring unforeseen circumstances and sharp fluctuations in exchange and interest rates, it is expecting net profit for 1996 to be clearly higher.

The two parent companies are also standing by their forecast: for 1996 they are once again expecting higher earnings per share.

Net profit Fortis first quarter 1992 - 1996 (in ECU million)



**Information**

If you wish to receive a copy of the annual report of Fortis and its parent companies, please contact Group Communication at:

Fortis  
Boulevard Emile Jacquinain 53  
1000 Brussels  
Belgium  
Tel.: 32 (0)2 226 93 40  
Fax: 32 (0)2 220 80 92

Fortis  
Archimedeslaan 6  
3584 BA Utrecht  
The Netherlands  
Tel.: 31 (0)30 257 65 48  
Fax: 31 (0)30 257 78 38





# BZW makes surprise choice

The appointment of Mr Bill Harrison as chief executive of BZW is the most significant in European investment banking this year, writes John Capper. It settles the succession at the top of one of the key British firms contending to take a place with the US big league as leaders in global investment banking.

The appointment is a surprise in two ways. First, Barclays has overlooked the obvious claim of Mr Donald Brydon, who was a successful head of its fund management

arm before moving to be deputy chief executive in 1994. Second, Mr Harrison is not the American "big hitter" BZW might have recruited.

Mr Harrison's task is a substantial one. As to why Barclays had not recruited a star from a big US firm such as Goldman Sachs, Mr Martin Taylor, chief executive of Barclays, insisted that the bank would have been prepared to pay the going rate. In some cases, this is up to \$10m per year. But it thought the "cultural fit" with Mr Harrison

was preferable. He is an unlikely merchant banker in some ways. He was educated at the London School of Economics rather than an Oxbridge college, and he still has a Birmingham accent. He is a bustling, energetic man who lacks the disdainful arrogance of many stars of the investment banking industry.

But former colleagues at Flemings say his management abilities are not so great as his dealmaking capacity. He has relied on others to tackle administration.

A second question is the depth of Mr Harrison's experience outside corporate finance. Although capital markets - the part of an investment bank that distributes primary share offerings - was his responsibility at Flemings, he has little experience of secondary equity markets, or of bond markets.

Mr Harrison's immediate task is to reassure those such as Mr Graham Pimlott, BZW's head of merchant banking, who could have doubts about their future.

## NEWS DIGEST

### Tesco service to challenge banks

Tesco is to take on the high street banks by offering shoppers much higher interest rates than they can get on their normal current accounts.

The UK supermarket group said yesterday it was extending its successful Clubcard loyalty card scheme, which has 6.5m users, by adding debit and interest payment facilities.

Clubcard Plus will offer 5 per cent gross annual interest on deposits - as much as 20 times higher than rates offered by the leading high street banks. National Westminster Bank, which is administering the Tesco scheme, pays just 0.25 per cent gross interest on its interest-bearing current account. Tesco's terms are also better than some building societies.

Several other UK retailers, notably Marks and Spencer, offer financial services, as do other continental groups, including the French retailer Carrefour and Ahold of the Netherlands.

*Christopher Brown-Humes*

### Emap disposal for £200m

Emap, the media and exhibitions group, will today announce the sale of its regional newspaper business to Johnston Press, the Edinburgh-based newspaper company, for about £200m (\$302m).

The sale, which will coincide with Emap's annual results, will more than double Johnston Press's share of the UK regional newspaper market to more than 6 per cent, making it the fifth largest publisher in its sector.

It will also alleviate pressure on Emap's balance sheet following a recent acquisitions spree, and raise speculation over its next likely target area.

Emap, which has interests in business and consumer magazines, radio and exhibitions in the UK, has been keen to replicate its success on the Continent. It already holds 15 per cent of the French consumer magazine market following the £142m purchase in March of three titles. It is also known to be keen to enter the US business magazine market.

The purchase is the biggest deal so far for the fast expanding Johnston.

*Christopher Price and James Buxton*

### Therapeutic Antibodies to float

Biotechnology company Therapeutic Antibodies (TAB), which specialises in poison antidotes, yesterday announced plans to seek a London stock exchange listing through a £30m (\$45.6m) institutional placement, valuing the company at £150m.

TAB is a low-tech biotechnology company, which has refined the traditional way of developing antibodies for snake bites and other types of poisoning.

It has already raised \$46m through private placements in the US, and has production sites in Wales, and Australia.

## Niederhoffer Global Systems, S.A.

advised by  
NIEDERHOFFER INVESTMENTS, INC.

- Top Performing Fund First Quarter 1996\*
- Latest Three Year Return of 153%
- First Customer Account Still Open With 56-Fold Increase Since 1982 - Compounded Annual Return of 31%
- Pioneer in Application of Statistical Analysis to Market Interrelations

For information Contact:

Dorothea Thompson, MeesPierson Fund Service Ltd.  
404 East Bay Street, Nassau, Bahamas  
Tel: 809-393-8777 Fax: 809-394-3284

\* Per Tax Management

## Casinos restrain Stakis to 13% rise

By James Buxton, Scottish Correspondent

Strong growth in Stakis' hotels division was partly offset by a drop in operating profits at its casinos, leaving the interim pre-tax figure 13 per cent ahead before exceptional items.

Excluding the flattening effect on the comparison of last year's \$90,000 exceptional gain on the sale of Ashbourne Homes, pre-tax profits for the half year to March 31 were 4 per cent ahead at £12m (\$18.24m) against £11.5m.

Mr Jim McCarroll, managing director of the casino division, left the company last week. A new managing director is to be appointed in the next two months and will join the board.

Operating profit in the hotels division, which is larger than the casino operation, rose 31 per cent to £17m (£13m).

The division increased the average room rate by 6 per cent to £45.59 and pushed its occupancy rate up by six points to 70.8 per cent.

The casino division reported a drop in operating profit of £1.4m, from £3.4m to £2m. Although the cash drop - the amount exchanged for chips - increased by £5.2m and the gaming win percentage rose from 18.3 per cent to 18.5 per cent this was not sufficient to meet increased costs, resulting from the acquisition of a casino in Bournemouth and manning additional tables.

Mr David Michels, chief executive, said the casinos had performed badly because of a combination of the effect on gambling habits of the National Lottery, the hot weather, guest fees (which were later withdrawn) and lack of promotion. But the performance had improved in the first three months of 1996, and attendance in the current quarter was better. More attention was being given to promotion; and "people are getting a little bored with scratchcards and the lottery," Mr Michels said.

Stakis yesterday estimated its expected tax rates for the next four years, responding to concern in the City that rising tax charges could impair its earnings growth.

## Azlan leaps to £10.5m

By Paul Taylor

Strong demand for advanced computer networking products was underlined yesterday as Azlan announced a near trebling of annual pre-tax profits.

Azlan also extended its geographic reach across Europe. Pre-tax profits jumped from £3.8m to £10.5m (\$16m) for the year to March 31, while turnover rose to £106.5m (\$160m).

The strong profits growth and positive outlook helped lift Azlan's share price - which was less than 100p a share a year ago - by a further 26p to 865p.

The results, which continued to outpace market growth, highlight the success of Azlan's strategy of concentrating on distributing a limited range of higher-margin networking products from leading manufacturers to resellers.

Companies are becoming more reliant on computer networks, which in turn are becoming more complex; hence the growing demand not only for the products Azlan supplies, but also for training and



Adrian Lamb, finance director (left) and Christian Martin

other services. Mr Christian Martin, who took over as chief executive following a management reorganisation 20 months ago, said the group had also "improved operating margins and enhanced market coverage across Europe".

In continental Europe, sales increased from £36.5m to

£115.2m, as a result of organic growth, start-ups and acquisitions.

The Continent accounted for almost 60 per cent of group turnover compared with 40 per cent in 1995.

It now has a presence in about 90 per cent of the European networking market.

## Unigate raises \$65m by selling US restaurants

By Roderick Oram, Consumer Industries Editor

Unigate, the food processor and distribution group, has sold half its US restaurant businesses for \$65m three years after abandoning their US float after the restaurants ran into trading difficulties.

DenAmerica is paying \$50m cash for the Black-eye Pea restaurants, with the balance covered by a note due for repayment by next March 31.

Most of the 100 company-owned, full-service, casual restaurants are in Texas, Georgia, Oklahoma and Washington DC. A further 30 are franchised. They made an operating profit of \$4.7m in the year to March and had net asset value of \$92.3m, excluding goodwill.

"They've been struggling to find a buyer for more than a year," one analyst said.

Unigate is still looking for a buyer for its other US restaurants - 110 Taco Bueno fast

food outlets and five Casa Bonita/Crystals restaurants.

Unigate said it would take a \$59.5m provision for the loss on its sale of the two US chains in its accounts for the year to March 31, which it will report on Monday. Of the total, \$38.2m is goodwill previously written off. One analyst estimated net assets of the two was about £140m.

In the spring of 1993, Unigate's US advisers were trying to float the two chains together to raise between \$220m-\$250m.

Black-eye Pea and Taco Bueno made operating profits of £13.3m in the 1991-92 financial year. After the float was aborted, Unigate continued to invest in the former with a refurbishment programme.

Selling Taco Bueno would end a string of disposals by Mr Ross Buckland, Unigate's chief executive. He has focused the group mainly on chilled dairy foods and some meats, areas where the company is seeking acquisitions.

# Taking stock of this year's investor relations success stories

at the  
1996 UK Investor Relations Magazine Awards  
in association with the FINANCIAL TIMES

Wednesday 26 June 1996, The London Hilton on Park Lane

Investor Relations magazine has commissioned an independent in-depth survey of fund managers and analysts to rank this year's top performing investor relations departments across a wide array of key IR disciplines.

The results of this research are not revealed until the night of the awards presentation. Winners are called up on stage to receive awards and congratulations from their fellow IR professionals and advisers during a black-tie dinner at one of London's most prestigious venues.

To find out if you are among them make sure that you reserve your ticket now by calling  
Rebekah Bawcutt on (+44) 171 637 3579



in association with




FINANCIAL TIMES

Sponsored by: BT Teleconferencing Services, Barnubs Ltd, Bursion-Marsteller, College Hill,

Darome Teleconferencing, Edelman Financial, Financial Times, Focus Communications Group,

Investor Relations Society, Lloyds Bank Registrars, London Stock Exchange, Shandwick Consultants,

The Bank of New York, The Manifest Voting Agency, The Royal Bank of Scotland



**New Zealand**

Notice of Offer to Purchase for Cash

£100,000,000 11 1/4 per cent. Loan Stock 2008 ('2008 Stock')  
(£97,500,000 outstanding)

£100,000,000 11 1/2 per cent. Loan Stock 2014 ('2014 Stock')

Barclays de Zoete Wedd Limited hereby offers to purchase on behalf of Her Majesty the Queen in right of New Zealand ('New Zealand') any or all of the outstanding 2008 Stock and any or all of the outstanding 2014 Stock (together with all unexercised coupons appertaining thereto where appropriate) together with an amount in respect of accrued interest from, and including, the last interest payment date in respect of the relevant Stock to, but excluding, the date of such purchase at a price, rounded to the nearest third decimal place (with 0.0005 being rounded upwards) at which the 2008 Stock yields a margin of 0.15 per cent. over the yield on the Treasury 9 per cent. Stock 2008 and the 2014 Stock yields a margin of 0.15 per cent. over the yield on the Treasury 9 per cent. Stock 2012 as calculated by Barclays de Zoete Wedd Limited at 11:00 hours (London time) for each day the offer is open, by reference to the mean of the bid and offered prices (for settlement on the next London business day) of the relevant gilt as quoted by BZW Gilts Limited. Such price will be applicable for all Stock of the relevant issue in respect of which acceptance is given to Barclays de Zoete Wedd Limited after 11:00 hours (London time) on the previous business day to 11:00 hours (London time) on the day of each price fixing. All yields will be calculated by Barclays de Zoete Wedd Limited on a semi-annual gross redemption yield basis. The offer is open from 11:00 hours (London time) on 3rd June, 1996 to 11:00 hours (London time) on 14th June, 1996 or such other period (the 'Offer Period') as may be notified by Barclays de Zoete Wedd Limited. Stock bought in registered form will be for settlement via the Central Gilts Office and Stock bought in bearer form will be for settlement through Cedei Bank, société anonyme or the Euroclear system in accordance with their respective settlement procedures.

Stock so purchased on behalf of New Zealand will be cancelled.

In compliance with the Listing Rules of the London Stock Exchange Limited, additional announcements of the principal amount of the 2008 Stock and the 2014 Stock purchased pursuant to this offer will be issued in accordance with the Stock Exchange Rules.

Acceptance of this offer may be made to Barclays de Zoete Wedd Limited by telephone during the Offer Period. Enquiries and offers should be directed to:

Barclays de Zoete Wedd Limited  
Debt Syndicate Telephone: 0171 628 8875 Fax: 0171 858 4691

The Offer will expire at 11:00 am, London time, on Friday, 14th June, 1996, unless extended.

3rd June, 1996

loyd aske  
y his role

1996

LAW

Export ban may lead to damages



EUROPEAN COURT

A ban by the UK government on the live export of sheep to Spain could give rise to a right to damages for individual exporters harmed by the decision, the European Court of Justice has ruled.

The European Court reiterated that a member state could not unilaterally adopt measures designed to obviate a breach of European law by another member state.

The European Court reiterated that a member state could not unilaterally adopt measures designed to obviate a breach of European law by another member state.

The court then turned to the issue of damages. It had recently laid down the rules for the availability of damages in the case of breaches of European law by member states in the Factortame case.

The court said the rules laid down in Factortame applied to the present case. Thus it was necessary to demonstrate, first, that the rule of law infringed was intended to confer rights on individuals; second, that the breach was sufficiently serious; and, third, that there was a direct causal link between the breach of the member state's obligation and the damage sustained by the injured parties.

The court said the third condition should be determined by the national court. If the national court determined that there was a relevant causal link, then the state would have to make reparation in accordance with its domestic law.

However, the conditions for reparation in such circumstances could not be less favourable than those relating to similar domestic claims and could not be such as to make it impossible or excessively difficult to obtain damages.

BRICK COURT CHAMBERS, BRUSSELS

Toshiba looks to the future

Toshiba, the integrated electronics maker, has chosen Taiso Nishimuro, currently executive vice president, as its next president.

Not only does Nishimuro have no experience of the heavy electrical business that has been the core of Toshiba's wide-ranging operations, but he has leapt over nine more senior executives who were considered likely candidates for the job.

A graduate of the elite economics department of Keio University, Nishimuro, 60, is a fluent speaker of English who spent a good part of his career building up Toshiba's operations in the US, where he is credited with returning three shaky US companies to the black.

His cosmopolitan background and warm manner are also credited with bringing the often tense negotiations over the standard for digital video

discs to a successful agreement. He is taking on the job of steering Toshiba at a difficult time. Uncertainty in the semiconductor business, which has provided the company with strong profits in recent years, is matched by fierce competition in the emerging multimedia industry.

Greenberg junior rises

Evan Greenberg has been elected to the board of AIG, the New York-based insurer, prompting speculation that he is being groomed to succeed his 70-year-old father, Maurice 'Bank' Greenberg, one of the most famous names in insurance.

The succession question at AIG has been a prickly subject, particularly since Greenberg's older son, Jeffrey, unexpectedly resigned last year and subsequent re-emerged at Marsh & McLennan, the broking group where he began his insurance career in 1976.

Bank Greenberg, who has been at the helm of the highly profitable AIG group for 30 years, has said repeatedly that he has no plans to retire. He is only the second chief executive of AIG, which was founded in Shanghai

in 1919. Yesterday AIG said there were plans at hand for an choosing an eventual successor, but that details would not be disclosed.

Evan Greenberg, 41, has worked for 21 years at AIG and currently heads American International Underwriters, AIG's foreign general business which includes operations in Japan, Russia, the Middle East and Latin America. He previously served for three years as chief operating officer and then chief executive of AIG companies in Japan and Korea.

Enskilda appointment

Charles Petrucci, chairman of American Express Travel Services International, has been appointed a non-executive director of Eurotunnel. He replaces Bernard Thiolon, honorary chief executive of Credit Lyonnais, the French bank, who has been on the board of the Channel tunnel operator for ten years.

Thiolon's presence on the board had been the subject of criticism from some shareholders, who argued that his links with Credit Lyonnais led to a conflict of interest. Credit Lyonnais is one of the largest lenders to the Anglo-French company and is a member of the six-bank steering group which is organising the crucial re-financing negotiations between Eurotunnel and its 225 banks.

Petrucci, 45, who has been with American Express for 20 years, runs all its travel and business card businesses outside the UK.

Mitchell, who started out in banking in 1977, will be based in London and Stockholm. Her position in Enskilda's debt capital markets team will be taken by Fiona Hagrup, who will assume coverage of Enskilda's Swedish corporate client base for syndicated loans.

Eurotunnel board move

Charles Petrucci, chairman of American Express Travel Services International, has been appointed a non-executive director of Eurotunnel. He replaces Bernard Thiolon, honorary chief executive of Credit Lyonnais, the French bank, who has been on the board of the Channel tunnel operator for ten years.

Thiolon's presence on the board had been the subject of criticism from some shareholders, who argued that his links with Credit Lyonnais led to a conflict of interest. Credit Lyonnais is one of the largest lenders to the Anglo-French company and is a member of the six-bank steering group which is organising the crucial re-financing negotiations between Eurotunnel and its 225 banks.

Petrucci, 45, who has been with American Express for 20 years, runs all its travel and business card businesses outside the UK.

Reinschagen's rise



Christie's Europe

Christie's Europe has appointed three vice-chairmen, one of whom is the first woman to hold the position. Maria Reinschagen (left), also deputy chairman of Christie's Switzerland and head of Christie's Zurich office, is described as "one of our most effective business-getters" by Christopher Balfour, chairman.

Also appointed as vice-chairmen are Françoise Curjel, international head of Christie's jewellery department, and John Lumley, international head of the 19th and 20th century picture departments.

Reinschagen started out as a primary school teacher in Zurich, but moved to the US in 1983 and worked in galleries there and in Switzerland before joining Christie's in 1978 to open the Zurich office. She became a member of Christie's European board in 1985, and the London board in 1990.

Reinschagen was also the first woman appointed to the board of Union Bank of Switzerland in 1994, with Anne-Lise Monnier. *Clare Gascoigne*

ON THE MOVE

Alfredo Moroni, previously chairman of Italgas, has been elected chairman of AGIP PETROL.

Australia's former Liberal Party leader, John Hewson, is to head a new fund management business being set up by Churchill Resources.

Stefano Borghi, chief executive of the Italian subsidiary of Cable & Wireless, has been named chief executive of NORIA Telecommunications Italia, the Italian subsidiary of the Finnish mobile phones group.

Rudolf Ruppert, formerly chairman of MAN Nutzfahrzeuge, will replace Klaus Goette as chairman of MAN, the German truck and printing machine manufacturer, after the shareholders' meeting on December 10. Goette will join the supervisory board, replacing Helmut Perlet.

Yvan Allaire has been appointed executive vice-president, strategy and corporate affairs, and transport group BOMBARDIER.

Stanley Crooke, co-founder, chairman and CEO of Isis Pharmaceuticals, has been appointed as chairman of GENEMEDICINE, a company engaged in the discovery and development of "gene medicines".

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Jeffrey Hughes, a founding partner of the Cypress Group, and Elliot Fried, a managing director of Lehman Brothers, have resigned from the board of LEAR CORP.

Larry Carter, marketing vice president with BELL SOUTH Corporation in the US, has been appointed managing director of BellSouth New Zealand. He replaces Keith Davis, who resigned in April.

Paul Chan has been named vice president and managing director of COMPAQ Computer Asia/Pacific.

Grant Thomas has resigned as executive chairman of MALBAK, the South African consumer group, after five years in the post which could not be reconciled.

Alan Yamashita has been named head of the MERRILL LYNCH debt capital markets group in Asia, with responsibility for debt origination and derivative products in the region.

Jeffrey Harris, senior deputy controller for capital markets, is leaving the US Office of the Comptroller of the

currency. Stanley Crooke, co-founder, chairman and CEO of Isis Pharmaceuticals, has been appointed as chairman of GENEMEDICINE, a company engaged in the discovery and development of "gene medicines".

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker.

EUROTUNNEL P.L.C. Registered office: One Canada Square, Canary Wharf, London E14 5DU. Registered in England and Wales No. 1960271. Eurotunnel S.A.: Siège Social: 112 avenue Kléber, 75116 Paris, France. Capital 9,195,534,190. RCS : Paris B 334 192 408.

Notice of Interest Rate To the Holders of The United Mexican States Collateralized Floating Rate Bonds Due 2019

MARGINED CURRENCY DEALING Laurion CALL TOLL-FREE

The Financial Times plans to publish a Survey on World Coal Industry on Friday, July 5.

OLYMPIA & YORK MAIDEN LANE FINANCE CORP. 10% Secured Notes Due 1995

Notice of Early Redemption ANZ Bank Australia and New Zealand Banking Group Limited

COMMODITIES AND AGRICULTURE

Aluminium prices fall as US labour talks prosper

By Kenneth Gooding, Mining Correspondent

Aluminium prices on the London Metal Exchange fell by \$21 a tonne, or nearly 1.5 per cent, yesterday following news that some of the biggest US producers of the metal had reached tentative agreement with unions for new employee contracts.

Combined annual capacity of the three - Aluminium Company of America (Alcoa), Ormet, and Reynolds Metals - is 1.9m tonnes of primary aluminium, more than 45 per cent of the US total and more than 10 per cent of global capacity. The previous three-year contracts expired on Friday.

But trade buying took the price up from these low levels so that in after-hours trading last night aluminium was \$1,583 a tonne, down only \$9 from Friday's level.

Many analysts expect aluminium to recover from this level. Billiton Metals, part of South Africa's Genor mining group, is forecasting that the metal will average \$1,553 a tonne in 1996 and that prices will move up as the year progresses.

At the Merrill Lynch financial services group, analyst Mr Ted Arnold says he expects aluminium prices to begin to improve from late in the third quarter of this year. "This is because the underlying rate of consumption growth in aluminium is running at between 2.5 to 3.5 per cent (depending on whose calculations you take) whereas brownfield and greenfield expansions now under way and planned show a rate of capacity growth of only about 1.3 per cent a year," he writes in Merrill's latest Commodity Market Trends report.

Mr Peter Richardson, commodities analyst at broker S.G. Warburg, is forecasting a 30,000 tonne supply surplus this year but says the market is likely to move back to a small deficit in 1997. "We expect a recovery in consumption growth in 1997 to underpin a strong recovery in prices," Mr Richardson is forecasting an average 1996 aluminium price of \$1,597 a tonne.

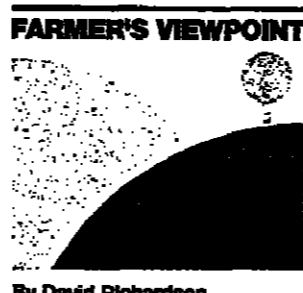
Future remains obscure for BSE researchers

The Institute for Animal Health at Compton, Berkshire, remains under threat of privatisation, amalgamation, closure or transfer to a university

Jan Laing, the president of the Board of Trade last week answered a parliamentary question on the future of some of the UK agriculture's plant science research institutes which had been the subject of the government's Prior Options Review of Public Sector Research Establishments.

"I am satisfied," he said, "that the functions of these institutes are needed and that they should retain their separate existence." He went on to say that the institutes would remain eligible to compete for research funding from the government-sponsored Biotechnology and Biological Sciences Research Council. By this, he implied that it would continue to be necessary for the staff at the institutes concerned to obtain substantial private funding from such sources as the agricultural and pharmaceutical industries but that some government money would remain available so long as research projects were fully justified and competitively costed.

Many hundreds of boffins in white coats at the Institute of Arable Crops Research, the Institute of Grassland and Environmental Research, the John Innes Centre and the Silsoe Research Institute, will have breathed a collective sigh of relief. And the entire arable sector of agriculture should have joined them: for the work done at such centres is of vital importance to the long-term prosperity of their industry.



By David Richardson

among others doing vital and urgent work of agricultural and human importance. For instance, the Institute for Animal Health at Compton, in Berkshire, whose management controls two other related centres in England and Scotland, is at the forefront of investigations into Bovine Spongiform Encephalopathy. But in spite of having been subjected to almost continuous government scrutiny since the current series of reviews began in 1994 and notwithstanding this year's £1m increase to £6.4m in the Ministry of Agriculture's BSE research budget, it is still under threat of possible privatisation, amalgamation, closure or transfer to a university.

Research at Compton is seeking to address all of those problems. By gaining understanding of the processes of infectious diseases, scientists are developing methods to control them. They are, for instance, well advanced in work seeking to establish whether strains of poultry to be developed which are free from salmonella infection. This is being done by identifying salmonella-resistant genes in chickens and inserting them into other chickens.

In time, this should enable the desired trait to be introduced across entire flocks, which would themselves go on to breed resistant offspring. It has been described as producing "designer chickens" and there is similar activity which may eventually control other crucial diseases in other animal species. Such benefits are being achieved by genetic engineering but they do not involve bizarre and ethically suspect practices like producing rat sperm in mouse testes or growing human ears on the back of a mouse.

Compton and its associated laboratories are also involved in the protection of UK herds and flocks from so-called exotic diseases from other parts of the world. The risk of epidemics in the UK of such devastating problems as foot and mouth disease or African swine fever increased significantly with the introduction of the European single market. This opened up borders that had previously been closed or, at least, tightly controlled to the movement of farm animals all over the European Union.

In some of the countries on the fringes of the Community, such exotic diseases are endemic and if they were to spread to the UK the costs could be catastrophic. It has been estimated, for instance, that there would be another epidemic of foot and mouth disease in the UK on the scale of that in 1967, when almost half a million cattle had to be slaughtered and burned in the fields, the cost would be in excess of £1.5bn - again without taking account of the effects on trade, the reputation of UK food and so on.

Compton's associate institute at Pirbright, in Surrey, has already proved that its anticipatory protective measures work. Back in the 1970s, its specific forecasts of possible foot and mouth infection in the Channel Islands and the south of England from an outbreak in northern France proved pinpoint accurate. One case was identified in each area predicted. Both herds were immediately slaughtered and the outbreak stopped in its tracks.

Only secure, independent research institutes could be expected to provide such protection. Commercial ones would be legitimately more concerned with their duties to their shareholders. Meanwhile, instead of being able to concentrate on the vital work of learning how to minimise and control animal diseases, BSE among them, for the good of the entire nation, the administrators of such establishments as the Institute for Animal Health have been forced to spend much of their time and energy defending their position to the government. It is high time the matter was resolved and the scientists the government claims to rely on allowed to get back to their work.

Strike hits Russian nickel plant

A strike halved output at Russia's Nadezhinsky metallurgical plant, a subsidiary of the Norilsk Nickel group, by half and cut total Norilsk production by about 12 per cent, a company official said yesterday, reports Reuters from Moscow.

Mr Boris Gulevich, Norilsk group technical questions director, said he had no information on when the strike might end. He said news agency said on Saturday that more than 10,000 workers at the plant in Russia's Far North began striking on Friday over living conditions in the remote town.

might be marketing changes and said the group was talking to Glencore, the Switzerland based trading organisation. This raised hopes among many western trading organisations that they might be able to pick up some of Norilsk's business. Mr Claes Lundman of Normaco, which is 75 per cent owned by Norilsk and 25 per cent by AG Resources of Switzerland, said that his organisation was responsible for marketing all the group's "official exports" - between 65,000 and 90,000 tonnes of Norilsk's refined nickel.

MARKET REPORT

Producer selling sends London coffee futures lower

Robusta COFFEE futures fell to the lowest levels for nearly four months at the London Commodity Exchange yesterday as producers, fearing lower prices ahead of growing supply, unloaded crops, traders said. "They are expecting prices to fall further," said one. "The selling has been mostly from Asian, mainly Indonesian, producers."

At the close on Monday the benchmark July contract was off \$46 at \$1,759 a tonne after trading at a high of \$1,806. Traders said the selling was triggered by the contract's failure to recover after sliding to near eight-week lows of \$1,780 on May 24.

LCE COCOA futures dribbled back to settle lower at the close after a hesitant recovery in the morning session. Holders of long positions were disappointed by the lack of follow-through buying as well as a strong start to gradings in preparation for this month's delivery period. "It hasn't helped the sentiment," said one trader.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Aluminum, Copper, Lead, Zinc), price change, high, low, and open prices.

Precious Metals continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Maize, Soybeans, Barley), price change, high, low, and open prices.

SOFTS

Table with columns for soft commodity type (Cocoa, Coffee, Sugar), price change, high, low, and open prices.

MEAT AND LIVESTOCK

Table with columns for livestock type (Cattle, Hogs, Pigs, Sheep), price change, high, low, and open prices.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Gasoline), price change, high, low, and open prices.

PRECIOUS METALS

Table with columns for precious metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

FUTURES DATA

Table with columns for futures contract type (Cocoa, Coffee, Sugar), price change, high, low, and open prices.

INDEXES

Table with columns for index type (DAX, Nikkei, FTSE, etc.), price change, high, low, and open prices.

LONDON SPOT MARKETS

Table with columns for spot market type (Crude Oil, Gasoline, etc.), price change, high, low, and open prices.

JOTTER PAD

Advertisement for Hewlett-Packard Jotter Pad, featuring a grid and promotional text.

CROSSWORD

Crossword puzzle grid with clues and instructions.

THE SOLUTION TO SATURDAY'S PRIZE PUZZLE

Solution to Saturday's prize puzzle, including a grid and answers.

SOLUTION TO YESTERDAY'S PRIZE PUZZLE

Solution to yesterday's prize puzzle, including a grid and answers.

Bank New Zealand

Advertisement for Bank New Zealand, listing services and contact information.

INTERNATIONAL CAPITAL MARKETS

Treasuries recover from early losses

By Lisa Branstetter in New York and Antonia Sharpe in London. US Treasury prices showed marginal gains at midday yesterday, after weaker than expected figures on business activity in May helped spur a recovery from early morning losses.

However, the news was read as mixed for the bond market, because the decrease in activity was accompanied by a rise in the prices-paid component to 50.8 from 40.1. Also, the index was held down by a large decrease in inventories, which could lead to stronger figures once producers finish running through inventories.

Ms Mary Bloom, bond strategist at Paribas, said the markets were further disappointed by the US April leading indicators, but the subsequent release of a lower than expected NAPM index triggered an afternoon recovery.

The report also allowed gilts to marginally outperform continental European markets yesterday, with 10-year paper rising by about a half-point and the spread over Germany coming in to 170 basis points from 174 points on Friday.

Japan was the top performer in J.P. Morgan's global government bond index monitor in May, with a local currency return of 1.5 per cent.

Andersen Consulting to provide DTB system

Deutsche Börse, which runs the Frankfurt stock and futures exchanges, has chosen Andersen Consulting to provide its new electronic securities trading system which is expected to start between DM100m and DM150m.

Launch of Bolsa de Derivados 'to boost liquidity'

The forthcoming launch of Portugal's long-awaited derivatives exchange is likely to boost liquidity in the country's stock and bond markets, and attract more international investors into Portugal's financial markets, officials said yesterday.

Portugal's budget deficit as a percentage of GDP stood at 6.2 per cent last year and is set to fall to 4.2 per cent this year, he said. Last, its public debt to GDP ratio stands at 71.6 per cent - roughly the EU average - and is set to decline to around 70 per cent by year-end.

Issuance dominated by retail-targeted offerings

The eurobond market was dominated by retail-targeted offerings while institutional investors lay low ahead of Friday's publication of US employment data and the quarterly tankan report in Japan.

Another retail-targeted dollar offering came for Rabobank, a well-known retail bank. The Dutch bank issued \$100m of 6.25 per cent bonds with a yield flat to Treasuries, fumble with \$200m of bonds launched two weeks ago.

Dealers have reported a pick-up in European retail demand for sterling paper in recent weeks, based on expectations of continued currency strength and the perception

issues worth \$500m and two sterling bonds totalling £197.5m. Morgan Stanley is acting as exclusive manager of the dollar operation and BZW on the sterling buy-back.

New Zealand all seems to have retired all its foreign currency debt by the year-end. The bonds will be bought at spreads of 10-35 basis points over their current yields.

Deutsche Börse said it chose Andersen because it would be less complex and costly to have the new system, the EES, on a trading platform already in use. Thus, it said, "the proposal submitted by Andersen Consulting entailed a lower project risk."

Portugal has a well-established regional market, with independent supervision, a clear and transparent legal framework and stable operating procedures," said the Professor. "The privatisation process has helped the development of our market, making it more integrated within the international capital markets."

Portugal has a well-established regional market, with independent supervision, a clear and transparent legal framework and stable operating procedures," said the Professor. "The privatisation process has helped the development of our market, making it more integrated within the international capital markets."

INTERNATIONAL BONDS

Kredietbank, the Belgian bank, issued \$200m of 4-year bonds yielding 15 basis points over Treasuries at the re-offer price. Some observers said the issue was driven by arbitrage considerations, rather than investor demand, and thought it would be slow to sell.

Dealers have reported a pick-up in European retail demand for sterling paper in recent weeks, based on expectations of continued currency strength and the perception

issues worth \$500m and two sterling bonds totalling £197.5m. Morgan Stanley is acting as exclusive manager of the dollar operation and BZW on the sterling buy-back.

New Zealand all seems to have retired all its foreign currency debt by the year-end. The bonds will be bought at spreads of 10-35 basis points over their current yields.

Deutsche Börse said it chose Andersen because it would be less complex and costly to have the new system, the EES, on a trading platform already in use. Thus, it said, "the proposal submitted by Andersen Consulting entailed a lower project risk."

Portugal has a well-established regional market, with independent supervision, a clear and transparent legal framework and stable operating procedures," said the Professor. "The privatisation process has helped the development of our market, making it more integrated within the international capital markets."

Portugal has a well-established regional market, with independent supervision, a clear and transparent legal framework and stable operating procedures," said the Professor. "The privatisation process has helped the development of our market, making it more integrated within the international capital markets."

Portugal has a well-established regional market, with independent supervision, a clear and transparent legal framework and stable operating procedures," said the Professor. "The privatisation process has helped the development of our market, making it more integrated within the international capital markets."

WORLD BOND PRICES

Table with columns: Coupon, Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, UK Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for US Treasury, ECU (French Govt).

US INTEREST RATES

Table with columns: Rate, Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Treasury Bills and Bond Yields.

BOND FUTURES AND OPTIONS

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for France, Germany, UK Gilts Prices.

UK GILTS PRICES

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for UK Gilts Prices.

OTHER FIXED INTEREST

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Other Fixed Interest.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for FT-Actuaries Fixed Interest Indices.

FT FIXED INTEREST INDICES

Table with columns: Index, Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for FT Fixed Interest Indices.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Gilt Edged Activity Indices.

FT/ASIA INTERNATIONAL BOND SERVICE

Table with columns: Index, Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for FT/ASIA International Bond Service.

CONVERTIBLE BONDS

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Convertible Bonds.

DEUTSCHE MARK STRATEGIES

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Deutsche Mark Strategies.

FT/ASIA INTERNATIONAL BOND SERVICE

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for FT/ASIA International Bond Service.

CONVERTIBLE BONDS

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Convertible Bonds.

DEUTSCHE MARK STRATEGIES

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Deutsche Mark Strategies.

FT/ASIA INTERNATIONAL BOND SERVICE

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for FT/ASIA International Bond Service.

CONVERTIBLE BONDS

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Convertible Bonds.

DEUTSCHE MARK STRATEGIES

Table with columns: Bid, Offer, Days, Price, Yield, Week ago, Month ago. Includes data for Deutsche Mark Strategies.

Markets

CURRENCIES AND MONEY

MARKETS REPORT

Markets quiet as traders wait for economic data

By Philip Gawth

Foreign exchanges had a fairly quiet day yesterday with traders and investors seemingly keeping their powder dry for events later in the week when the Japanese Tankan survey and the US payrolls report are released.

The dollar managed to recover some of its losses after the sell-off on Friday, although a gap does seem to have emerged between the positioning of the market (very bullish) and the rhetoric (increasingly cautious).

It finished little changed in London at DM1,578.5, from DM1,577.5 on Friday, but off an intra-day low of DM1,518.3. Against the yen it closed at ¥108.285, up from ¥108.1, and off the low of ¥107.35.

Sterling maintained its firm showing, with the trade weighted index finishing unchanged at 86.3. Against the D-Mark it closed at DM2,365 from DM2,366, while against

the dollar it finished at \$1.5493 from \$1.5494. In the emerging markets field the focus was on the Czech koruna, following the surprise failure of Mr Vaciak Klam's reformist government to win a majority in the week-end election. The currency opened about two per cent weaker than on Friday, but later recovered some of its loss to close about one per cent weaker.

Just as the market finds it difficult to get its head around the idea of Bundesbank sanctioned D-Mark weakness, so it struggles with the concept of independent sterling strength. It is little surprise, then, that analysts have scrambled around to explain the pound's

movement. One view is that the pound is running a current account deficit. As for the 'labour party' argument, he said it was difficult to see

related purchases when sterling broke through \$1.53, and cable (sterling/dollar) purchases from trend-following investors. Although sceptical about the foundations of sterling strength, Mr O'Neill said it was possible sterling, like the Swiss franc, was acting as a leading indicator on the dollar. 'It may be indicating that some flex has gone out of the dollar.' He said he did not believe cable would stay at current levels without some dollar weakness.

Mr Brian Martin, economist at Barclays in London, said he doubted whether the government wanted sterling above DM2.40, and suggested that a deterioration in Britain's trade account through currency strength would probably anyway serve as corrective device.

The debate over the Finnish markka joining the ERM steps up a level today with parliament expected to pass legislation clearing the way for such



Bank of England Trade-weighted Index 87 86 85 84 83 82 81 80 79 78 77 76 75 74 73 72 71 70 69 68 67 66 65 64 63 62 61 60 59 58 57 56 55 54 53 52 51 50 49 48 47 46 45 44 43 42 41 40 39 38 37 36 35 34 33 32 31 30 29 28 27 26 25 24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2 1 0

why it was a 'hot topic' now. While it is known that some of the leading hedge fund managers are impressed by Mr Tony Blair, the Labour party leader, there has not been evidence of large sterling purchases from the biggest funds in recent days.

Mr O'Neill said two other factors which had played a role in sterling's rally were options

related purchases when sterling broke through \$1.53, and cable (sterling/dollar) purchases from trend-following investors. Although sceptical about the foundations of sterling strength, Mr O'Neill said it was possible sterling, like the Swiss franc, was acting as a leading indicator on the dollar. 'It may be indicating that some flex has gone out of the dollar.' He said he did not believe cable would stay at current levels without some dollar weakness.

Mr Brian Martin, economist at Barclays in London, said he doubted whether the government wanted sterling above DM2.40, and suggested that a deterioration in Britain's trade account through currency strength would probably anyway serve as corrective device.

The debate over the Finnish markka joining the ERM steps up a level today with parliament expected to pass legislation clearing the way for such

WORLD INTEREST RATES

Table of World Interest Rates including Money Rates for various countries like Belgium, France, Germany, Italy, Netherlands, Sweden, Switzerland, UK, and US. Columns include Over night, One month, Three months, Six months, One year, and Debit rate.

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates for various currencies including Belgian Franc, Danish Krone, D-Mark, Dutch Guilder, French Franc, Portuguese Escudo, Spanish Peseta, Swiss Franc, and US Dollar.

POUND SPOT FORWARD AGAINST THE POUND

Table showing Pound Spot Forward rates against the pound for various countries including Europe, Americas, Asia, and Oceania. Columns include Closing mid-point, Change on day, Bid/offer, and various forward rates.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot Forward rates against the dollar for various countries including Europe, Americas, Asia, and Oceania. Columns include Closing mid-point, Change on day, Bid/offer, and various forward rates.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table of Exchange Cross Rates for various currencies including Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, and US.

UK INTEREST RATES

LONDON MONEY RATES

Table of London Money Rates including Interbank Sterling, Treasury Bills, Bank Bills, and Local authority deposits.

BASE LENDING RATES

Table of Base Lending Rates for various banks and financial institutions including Adams & Company, Allied Trust Bank, and others.

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

Table of Three Month Euro-Dollar rates for various currencies including US, UK, and others.

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

Table of Three Month Euro-Dollar rates for various currencies including US, UK, and others.

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

Table of Three Month Euro-Dollar rates for various currencies including US, UK, and others.

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

THREE MONTH EURO-DOLLAR (90D) \$1m points of 100%

Table of Three Month Euro-Dollar rates for various currencies including US, UK, and others.

EUROFIMA European Company Finance advertisement for US \$250,000 floating rate notes.

SmithKline Beecham PLC advertisement for floating rate unsecured loan stock.

COUNTRY SURVEYS ON DISK advertisement for a survey software product.

FAST 64 BIT SATELLITE TECHNOLOGY advertisement for real-time data services.

SHARE SENTRY advertisement for a share monitoring service.

MARGINED FOREIGN EXCHANGE TRADING advertisement for Union Bank.

BERKELEY FUTURES LIMITED advertisement for futures trading services.

FUTURES AND OPTIONS TRADING advertisement for clearing and execution services.

Futures & Options advertisement for Berkeley Futures Limited.

WANT TO KNOW A SECRET? advertisement for I.D.S. Gann Seminar.

FUTURES - TAX FREE advertisement for IG INDEX FINANCIAL.

OFFSHORE COMPANIES advertisement for offshore company formation.

Petroleum Argus Oil Market Guides advertisement for market analysis.

Market-Eye advertisement for a market analysis service.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing alcoholic beverage companies with columns for company name, share price, and change.

BANKS, MERCHANT

Table listing bank and merchant companies with columns for company name, share price, and change.

BANKS, RETAIL

Table listing retail bank companies with columns for company name, share price, and change.

BREWERIES, PUBS & REST

Table listing brewery, pub, and restaurant companies with columns for company name, share price, and change.

BUILDING & CONSTRUCTION

Table listing building and construction companies with columns for company name, share price, and change.

BUILDING MATS. & MERCHANTS

Table listing building materials and merchant companies with columns for company name, share price, and change.

CHEMICALS

Table listing chemical companies with columns for company name, share price, and change.

DISTRIBUTORS

Table listing distributor companies with columns for company name, share price, and change.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies with columns for company name, share price, and change.

ELECTRICITY

Table listing electricity companies with columns for company name, share price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing electronic and electrical equipment companies (continued).

ENGINEERING

Table listing engineering companies with columns for company name, share price, and change.

ENGINEERING - Cont.

Table listing engineering companies (continued).

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies with columns for company name, share price, and change.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies with columns for company name, share price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Table listing extractive industries companies (continued).

FOOD PRODUCERS

Table listing food producer companies with columns for company name, share price, and change.

FOOD PRODUCERS - Cont.

Table listing food producer companies (continued).

GAS DISTRIBUTION

Table listing gas distribution companies with columns for company name, share price, and change.

HEALTH CARE

Table listing health care companies with columns for company name, share price, and change.

HOUSEHOLD GOODS

Table listing household goods companies with columns for company name, share price, and change.

INSURANCE

Table listing insurance companies with columns for company name, share price, and change.

INVESTMENT TRUSTS

Table listing investment trusts companies with columns for company name, share price, and change.

INVESTMENT TRUSTS - Cont.

Table listing investment trusts companies (continued).

INV TRUSTS SPLIT CAPITAL

Table listing split capital investment trusts with columns for company name, share price, and change.

INVESTMENT TRUSTS - Cont.

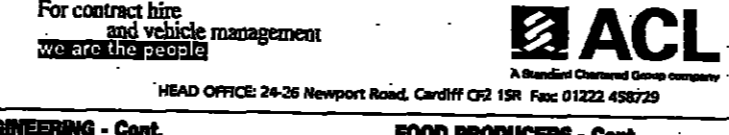
Table listing investment trusts companies (continued).

INV TRUSTS SPLIT CAPITAL

Table listing split capital investment trusts (continued).

ORACLE

The authority on a complete solution to effective company car finance and management. 0800 269895



ENGINEERING - Cont.

Table listing engineering companies (continued).

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies (continued).

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and other financial data.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and other financial data.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and other financial data.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for name, price, and other financial data.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

OIL, INTEGRATED

Table listing integrated oil companies.

OTHER FINANCIAL

Table listing other financial companies.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued).

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

PROPERTY

Table listing property companies.

RETAILERS, GENERAL

Table listing general retailers.

SUPPORT SERVICES

Table listing support services companies.

WATER

Table listing water companies.

AIM

Table listing companies on the Alternative Investment Market (AIM).

PROPERTY - Cont.

Table listing property companies (continued).

RETAILERS, FOOD

Table listing food retailers.

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

AIM - Cont.

Table listing companies on AIM (continued).

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: Prices for the London Share Service delivered by FT Data, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE 100.

Rockwell, builder of the space shuttle, also makes the majority of the fax and data modems in the world. Rockwell logo.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies (continued).

PROPERTY

Table listing property companies (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

RETAILERS, GENERAL

Table listing general retailers (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

WATER

Table listing water companies (continued).

AIM

Table listing companies on AIM (continued).

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 573 4376 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under Bermuda (SIB Recognised) with columns for fund name, price, and other details.

BERMUDA (REGULATED)

Table listing various offshore funds under Bermuda (Regulated) with columns for fund name, price, and other details.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under Guernsey (SIB Recognised) with columns for fund name, price, and other details.

GUERNSEY (REGULATED)

Table listing various offshore funds under Guernsey (Regulated) with columns for fund name, price, and other details.

GUERNSEY (REGULATED)

Table listing various offshore funds under Guernsey (Regulated) with columns for fund name, price, and other details.

IRELAND (SIB RECOGNISED)

Table listing various offshore funds under Ireland (SIB Recognised) with columns for fund name, price, and other details.

IRELAND (REGULATED)

Table listing various offshore funds under Ireland (Regulated) with columns for fund name, price, and other details.

ISLE OF MAN (SIB RECOGNISED)

Table listing various offshore funds under Isle of Man (SIB Recognised) with columns for fund name, price, and other details.

ISLE OF MAN (REGULATED)

Table listing various offshore funds under Isle of Man (Regulated) with columns for fund name, price, and other details.

JERSEY (SIB RECOGNISED)

Table listing various offshore funds under Jersey (SIB Recognised) with columns for fund name, price, and other details.

JERSEY (REGULATED)

Table listing various offshore funds under Jersey (Regulated) with columns for fund name, price, and other details.

LUXEMBOURG (SIB RECOGNISED)

Table listing various offshore funds under Luxembourg (SIB Recognised) with columns for fund name, price, and other details.

LUXEMBOURG (REGULATED)

Table listing various offshore funds under Luxembourg (Regulated) with columns for fund name, price, and other details.

Handwritten signature or stamp at the bottom center of the page.



FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4376 for more details.

Main table containing fund names, prices, and performance data. Includes sections for 'OFFSHORE INSURANCES' and 'MANAGED FUNDS NOTES'.

LUXEMBOURG

MANAGED FUNDS NOTES
Please see in general where indicated and those
investments 3 units to each year to US\$ 100,000.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities refuse to shrug off despondent mood

By Peter John

Sterling moved even higher against the D-Mark, government bonds recovered but equities restlessly refused to join the party yesterday. The London market did struggle out of some of the worst excesses of gloom. Also it appeared to ignore the latest UK economic statistics as well as a much feared US purchasing managers' index. However, the FT-SE 100 index still ended the day 8.6 lower at 3,739.2.

points amid growing concern about inflation, and the possibility that the Federal Reserve might raise interest rates. And, over the week-end, press comment had been unenthusiastic about the UK economy. At the start of trading yesterday, the Footsie was off almost 18 points. The release of M0 - the main element of which is notes and coins in circulation - signalled a slight pick-up in consumer spending. The M0 figure implied strength in the consumer side of the economy. But it coincided with the latest survey from the Chartered Institute of Purchasing and Supply, which showed that last month manufacturing suffered its biggest slide for

more than 3 1/2 years. The pressures on manufacturing, as shown by reduced output and jobs, lower order books and a build-up of unsold goods, will have been increased by the recent strength of the pound against the D-Mark and dollar. The strength of sterling and the weakness of manufacturing led at least one economist to raise the possibility of an interest rate cut when the chancellor of the exchequer meets the governor of the Bank of England on Wednesday. Mr Ian Harnett, the strategist at SGST, argued: "In the past when there has been this imbalance between manufacturing and the ser-

VICES sector rates have been reduced. I think there is a 30 per cent chance of a surprise cut." The market did, in fact, rally during the morning but its sights were not set on good news and as the time approached for trading to begin on Wall Street, London's nerves began to jangle again. A forearm business was patchy with dealers writing for inflationary signals from the US purchasing managers' survey. Even when those signals did not materialise, the market failed to take heart. Traders merely switched their focus to the potential for discouraging US employment statistics on Friday. Futures traded at a discount to

the cash market all day and share turnover of 644.9m by 6pm had a Monday feeling to it. Takeover premium was virtually non-existent in the Footsie although most water stocks - particularly Wessex - were up. The only upward momentum came from BT, where the shares rose in response to a lenient regulatory review and contributed almost 5 points to Footsie. That gain was offset by the effect of stocks going ex-dividend, which knocked 5.4 points off the index. Second-line stocks performed slightly better with the help of a sparkling performance from Eurotunnel. The FT-SE Mid 250 index lost only 4.5 at 4,806.5.

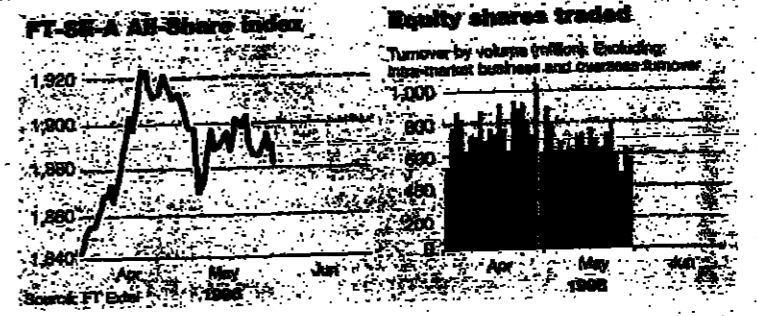


Table with columns: Index and ratios, Best performing sectors, Worst performing sectors. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various sector indices.

BT up on OfTel review

Telecoms shares were in the thick of the action yesterday, following a slew of regulatory news that sent BT shooting higher but left the mobile phone stocks trailing badly. OfTel's price cap review was seen as favourable for BT with the X factor coming down to 4 1/2 per cent on a regulatory band narrowed from 60 to 25 per cent of the telecom group's revenue. With the market consensus running closer to 5 per cent and 30 per cent, the shares surged from the outset. Up to 37 1/2p at one stage, BT ended as Footsie's best performer at 368 1/2p, up 13 in turnover boosted to 30m by what was described as a significant two-way pull. BT has had a strong run lately and yesterday's extra bounce sparked "take profits" advice from a number of brokers.

more than 12 per cent in heavy volume with the shares reaching a 1996 high and breaking through 21 for the first time since November. The group announced management changes which suggested that, from this autumn, six of the top tier of eight board members would be French. This sparked a surge in volume on the Paris bourse as rumours about an early agreement on debt restructuring resurfaced. Turnover in Paris raced ahead to 11.4m, and there was also significant arbitrage trade in London where turnover totalled 1.4m shares. The stock closed up 1 1/4 at 108 1/2, the best performer in the FT-SE Mid 250 index. British Airways took a tumble as the shares went ex-dividend. The payment was 10p net, so a decline of 1 1/2 to 54 1/2 represented an effective 9 1/2p setback.

reported to be edging forecasts for the following year upwards from £2.2bn to around £2.4bn although few were willing to confirm their figures yesterday. Royal Bank of Scotland continued to be boosted by a recommendation from Credit Lyonnais Ltd, issued at the end of last week. The shares hardened 5 to 52 1/2p. Bargain hunting at the lower levels saw Abbey National close a penny firmer at 56 1/2p. Shares in pharmaceuticals group Scotia Holdings jumped 3 1/2 to 72 1/2p, after Lehman Brothers valued the stock at 80 1/2p a share. Analysts at the US investment bank said the group was one of the better buys among UK biotechnology stocks. They added that Scotia's valuation took into account the near-term opportunities offered by its diabetic neuropathy and pancreatic cancer products and

its photodynamic therapy. Glaxo Wellcome followed the market lower, closing 3 off at 83 1/2p after trade of 4.5m. However, NatWest Securities favours the stock and yesterday issued a detailed buy note on the shares. NatWest said: "Earnings growth is no longer dependent on cost reductions, as alone. The launch of a raft of new drugs into the US market is driving up sales growth forecasts." Tesco, which announced its new ClubCard Plus, set a penny to 300 1/2p, while J Sainsbury fell 2 1/2 to 39 1/2p. One analyst suggested that Tesco had stolen the other retailer's thunder. Delagay managed to add one penny to 87 1/2p despite issuing a profits warning, provoked by the current BSE controversy. Several analysts downgraded their forecasts. Unigate added 5 to 41 1/2p after announcing it had sold its black-eyed pea restaurants in the US. Thorn EMI rose 28 to 122 1/2p following the announcement that its final results will be published on June 11. Speculation is growing about the group and its plans for demerger.

Stakis fell 3 to 10 1/2p following interim results at the low end of forecasts, with analysts disappointed at the performance of its casinos. Ladbroke, which owns Hilton International, rose 2 1/2p to 19 1/2p on speculation that some sort of deal is progressing with Hilton Hotels of the US. Football stocks jumped on the back of media reports that pay-per-view television could net them substantial amounts of money. Manchester United rose 3 1/2 to 40 1/2p and Tottenham 3 1/2 to 42 1/2p.

FUTURES AND OPTIONS

Table with columns: Index, Open, Settle, Change, High, Low, Est. vol, Open int. Includes FT-SE 100 INDEX FUTURES, FT-SE 100 INDEX OPTION, and EURO STYLE FT-SE 100 INDEX OPTION.

Cariton strong

Cariton Communications was one of the day's best performers in the Footsie after the shares added 1 1/2 to 45 1/2p. Sentiment in the stock was boosted by the stock being included on Panmure Gordon's list of best buys for the coming month. The broker previously rated the shares a "hold". The combined decline of both the US and UK market exacted a toll of several media related stocks. The list included Pearson where the shares eased 5 to 68 1/2p, and Reuters, 3 1/2 lighter at 74 1/2p, after trade of 2.9m. The broker also rates Mirror Group, although shares in the company fell 4 to 21 1/2p as invest-

Table with columns: Date, High, Low, Close, Change. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various sector indices.

Table with columns: Issue, Amt, Mkt, Price, Close, Net, Div, Yld, P/E. Includes various equity issues like BP, Shell, and others.

Table with columns: Issue, Amt, Mkt, Price, Close, Net, Div, Yld, P/E. Includes various equity issues like BT, BT Group, and others.

Table with columns: Issue, Amt, Mkt, Price, Close, Net, Div, Yld, P/E. Includes various equity issues like BT, BT Group, and others.

TRADING VOLUME

Table with columns: Major Stocks Yesterday, Amt, Change, Days. Lists various stocks and their trading volumes.

US\$500,000,000 New Zealand Notice of Offer to Purchase for Cash. Includes details about the offer, terms, and contact information for Morgan Stanley & Co.

FT-SE Actuarial Share Indices. The UK Series. Table with columns: Index, Days, Change, High, Low, Close, Change, Net, Div, Yld, P/E, Total Return. Lists various actuarial share indices.

WORLD INSURANCE REPORT. World Insurance Report has a proven record of finding out what readers need to know. No matter what the location, market sector, company or risk, its well-established network of expert correspondents and industry contacts brings you the hard information and concise, accurate and timely analysis you need.

Hourly movements, FT-SE Actuarial 350 Industry baskets. Table with columns: Index, Open, High, Low, Close, Change. Lists various industry baskets and their hourly movements.

WORLD STOCK MARKETS

EUROPE

Table of European stock market data including indices and individual stock prices for various countries like Austria, Belgium, Denmark, etc.

GERMANY (Jan 3 / Dm)

Table of German stock market data including indices and individual stock prices.

FRANCE (Jan 3 / Frc)

Table of French stock market data including indices and individual stock prices.

NETHERLANDS (Jan 3 / Fl)

Table of Dutch stock market data including indices and individual stock prices.

FINLAND (Jan 3 / Mks)

Table of Finnish stock market data including indices and individual stock prices.

SPAIN (Jan 3 / Ptas)

Table of Spanish stock market data including indices and individual stock prices.

SWEDEN (Jan 3 / Kronor)

Table of Swedish stock market data including indices and individual stock prices.

ITALY (Jan 3 / Lit)

Table of Italian stock market data including indices and individual stock prices.

GREECE (May 31 / Drachma)

Table of Greek stock market data including indices and individual stock prices.

NORWAY (Jan 3 / Kroner)

Table of Norwegian stock market data including indices and individual stock prices.

PORTUGAL (Jan 3 / Escudo)

Table of Portuguese stock market data including indices and individual stock prices.

POLAND (Jan 3 / Zloty)

Table of Polish stock market data including indices and individual stock prices.

SWITZERLAND (Jan 3 / Frs)

Table of Swiss stock market data including indices and individual stock prices.

TURKEY (Jan 3 / TL)

Table of Turkish stock market data including indices and individual stock prices.

NETHERLANDS (Jan 3 / Fl)

Table of Dutch stock market data including indices and individual stock prices.

NETHERLANDS (Jan 3 / Fl)

Table of Dutch stock market data including indices and individual stock prices.

NETHERLANDS (Jan 3 / Fl)

Table of Dutch stock market data including indices and individual stock prices.

NETHERLANDS (Jan 3 / Fl)

Table of Dutch stock market data including indices and individual stock prices.

ASIA

HONG KONG (Jan 3 / HK\$)

Table of Hong Kong stock market data including indices and individual stock prices.

INDONESIA (Jan 3 / Rp)

Table of Indonesian stock market data including indices and individual stock prices.

MALAYSIA (Jan 3 / MYR)

Table of Malaysian stock market data including indices and individual stock prices.

NEW ZEALAND (May 31 / NZ\$)

Table of New Zealand stock market data including indices and individual stock prices.

SINGAPORE (Jan 3 / S\$)

Table of Singapore stock market data including indices and individual stock prices.

THAILAND (Jan 3 / Baht)

Table of Thai stock market data including indices and individual stock prices.

TOKYO - MOST ACTIVE STOCKS: Monday, June 3, 1996

Table of most active stocks in Tokyo on Monday, June 3, 1996.

PACIFIC

JAPAN (Jan 3 / Yen)

Table of Japanese stock market data including indices and individual stock prices.

NEW ZEALAND (May 31 / NZ\$)

Table of New Zealand stock market data including indices and individual stock prices.

SINGAPORE (Jan 3 / S\$)

Table of Singapore stock market data including indices and individual stock prices.

THAILAND (Jan 3 / Baht)

Table of Thai stock market data including indices and individual stock prices.

TOKYO - MOST ACTIVE STOCKS: Monday, June 3, 1996

Table of most active stocks in Tokyo on Monday, June 3, 1996.

AFRICA

SOUTH AFRICA (Jan 3 / Rand)

Table of South African stock market data including indices and individual stock prices.

TORONTO (Jan 3 / Cdn \$)

Table of Toronto stock market data including indices and individual stock prices.

MONTEREAL (Jan 3 / Cdn \$)

Table of Montreal stock market data including indices and individual stock prices.

AFRICA

Table of African stock market data including indices and individual stock prices.

TORONTO (Jan 3 / Cdn \$)

Table of Toronto stock market data including indices and individual stock prices.

MONTEREAL (Jan 3 / Cdn \$)

Table of Montreal stock market data including indices and individual stock prices.

AFRICA

Table of African stock market data including indices and individual stock prices.

Advertisement for Peregrine Global Distribution, featuring a globe and the text 'Peregrine has the world's largest team dedicated to the international distribution of Asian securities.'

INDICES

Table of various international stock indices including Japan, UK, France, Germany, etc.

WORLD

Table of world stock indices including Asia, Europe, and Americas.

INDEX FUTURES

Table of index futures data for various markets.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, etc.

NEW YORK ACTIVE STOCKS

Table of active stocks in New York.

TRADING ACTIVITY

Table of trading activity for various markets.

INDICES

Table of various international stock indices.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, etc.

NEW YORK ACTIVE STOCKS

Table of active stocks in New York.

TRADING ACTIVITY

Table of trading activity for various markets.

INDICES

Table of various international stock indices.

INDICES

Table of various international stock indices.

INDICES

Table of various international stock indices.

INDICES

Table of various international stock indices.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and volume. Includes sub-sections for various market segments.

Advertisement for HP computing with the slogan 'Vault ahead. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'V'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Financial Times' featuring the headline 'Have your FT hand delivered in Finland.' and text about gaining an edge over competitors.

Continuation of NASDAQ National Market stock prices from the previous page, including sub-sections for 'Continued from previous page', 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMERICA Volatile bonds lead Dow into further decline

US share prices added to last week's losses in midday trading yesterday on the heels of a volatile bond market. writes Lisa Branstetter in New York. The Dow Jones Industrial Average fell nearly 30 points and the Standard & Poor's 500 lost almost 4 points in the first 15 minutes of trading as the long bond yield hovered over 7 per cent. At mid-morning, however, the bond market was cheered by a set of weak numbers on business activity from the National Association of Purchasing Management. That sent the long bond yield back below 7 per cent and helped shares to recover some of their early losses. At 1 pm, the Dow was off 14.41 at 5,828.77. The S & P 500 had fallen 1.71 at 667.41 and the American Stock Exchange composite lost 1.60 at 609.39. NYSE volume was 168m shares. Technology stocks, which had managed to rise last week in spite of the losses in other sectors, were mostly lower. The Nasdaq composite, which is about 40 per cent technology shares, was 1.74 lower at 1,241.69 and the Pacific Stock Exchange technology index lost 0.2 per cent. Intel, the silicon chip maker which is the second biggest company on the Nasdaq, added \$1 at \$76, while several Internet-related companies posted losses. Netcom On-line Communication Services slipped \$1 at \$33, Cybercash fell \$1 at \$57 and P5inet fell \$1 at \$14. Worries about the possibility that the Federal Reserve might raise interest rates caused cyclical shares, which would be disproportionately hurt by such a move, to underperform

EUROPE Senior bourses reverse losses after late \$ revival

A revival in US and French bonds, and a rebound in the dollar allowed PARIS to reverse early losses. The CAC-40 index rallied late to close 11.04 higher at 2,121.10, in turnover of FF4.3bn. Euroturnover was strong all day, soaring FF1.30, or 17.3 per cent, to FF6.80 on speculation that a debt to equity conversion had been arranged with key bank lenders at a price of FF7.10 to FF7.12 per share. Peugeot outperformed the bulk of the automotive sector, rising FF1.14 to FF7.74. Mr Christopher Will, at Lehman Brothers, upgraded the stock from outperform to buy, with a price target of FF6.60 within the next twelve months. The analyst said that, here and there, the European car market was now looking a little better than expected and the recent fall of the franc against the lira and sterling, was another good omen. Meanwhile, continued speculation on takeover prospects lifted Valeo, the automotive components stock, by FF5.50 to FF7.96. In financials, Credit Foncier saw another another sharp fall, losing FF2.70 at FF2.60 on a debt downgrade by Moody's, and a decision by Morgan Stanley to take the stock out of its MSCI index.

FT-SE Actuaries Share Indices

Table with columns: Jan 9, Weekly change, Open, High, Low, Close. Rows include FT-SE Actuaries 100, FT-SE Actuaries 200, FT-SE Actuaries 300, FT-SE Actuaries 400, FT-SE Actuaries 500.

closed just 0.89 down at 569.20, after briefly spiking up to a record high of 571.75. COPENHAGEN fell further as the cleaning group, International Service System (ISS), took its share price tumble into a third day. ISS dropped by DKr18 to a new two-year low of DKr104, more than 37 per cent down since last Thursday's report of irregularities at a US unit which could cost it \$100m. The KFX index fell 1.02 to 112.95. HELSINKI fell as takeover speculation in Nokia appeared to fade and as profit-taking hit the paper machine maker, Valmet, after its New York stock market debut. Nokia dropped FMk6.50 to FMk9.20 and Valmet FMk1.50 to FMk2.20, as the Hex index closed 15.69 lower at 2,054.73. WARSAW extended Friday's gains in higher turnover Friday, which analysts suggested, signalled a likely end of the market's three week correction. The Wig index rose 163.5, or 1.4 per cent to 12,050.0 and turnover picked up 12.2 per cent to 95.6m zlotys. Dealers were unable to explain a 10 per cent jump in Elekromontaz to 4.95 zlotys in hefty turnover of 3.8m zlotys. TEL AVIV continued to rally from the immediate, post election drop of nearly five per cent that equities sustained last Thursday following the right wing victory in Israel's general elections. Top shares added a little more, after a recovery of nearly 2 per cent on Sunday. The Mishkanim index closed 0.57 lower at 206.10, as turnover rose from Shk82m to Shk145m. This followed statements by the prime minister, elect, Mr Benjamin Netanyahu, that he would pursue economic growth and stability. PRAGUE blue chips were sharply lower as investors anxiously awaited the outcome of talks on forming a new government after the indecisive general election vote at the weekend. The PX50 index lost 2.9 or 4.1 per cent to 530.6 as market leaders like Komerční Banka, CEZ and STP Telecom, which feature in the portfolios of most international investors in the Czech market, all fell heavily. ISTANBUL gave up some of its early gains after the prime minister, Mr Mesut Yilmaz, said that the only alternative to his troubled, 12 week conservative coalition with Mrs Tansu Ciller would be early elections. The IMKB-100 index turned back from a high of 63,519.96 but was still 1,145.82 ahead at 62,369.23. Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC Lender collapse reports sharpen Japanese worries

Tokyo month. The ministry of finance hopes to sell 272,390 shares which were left over from its first offering in 1994, and the company started offering procedures yesterday. Bank stocks were hit by arbitrage selling. Dai-ichi Kangyo Bank, the most active issue of the day, fell Y4 to Y1.910 and the Bank of Tokyo Mitsubishi lost Y10 to Y2,650. Oil refiners and distributors weakened on lower crude oil prices. Nippon Oil fell Y3 to Y92 and Showa Shell Sekiyu declined Y30 to Y1,190. Profit-taking depressed large capital steels. Nippon Steel fell Y5 to Y362 and Kawasaki Steel lost Y15 to Y386. High-technology blue chips were mixed with Toshiba retreating Y1 to Y750, Sony down Y70 to Y6,800 and NEC up Y10 to Y1,200. In Osaka, the OSE average fell 262.62 to 23,026.26 in volume of 31.7m shares. Roundup The renewed US rate worries dropped HONG KONG by 1.8 per cent, and the Hang Seng index finished 204.92 lower at 11,069.81 as turnover shrank to HK\$3.7bn. The fall coincided with a report by ING Barings which concluded that Hong Kong's bull rally had ended and that the market had lost its momentum and direction. Rate-sensitive banks and property issues were hard hit. HSBC lost HK\$1 to HK\$116 and Hang Seng Bank fell HK\$1.50 to HK\$78.25. SINGAPORE was sharply lower after the arrest of the head of the Securities Supervisory Board on bribery charges. The composite index closed 10.76

lower at 897.22 as brokers cautioned that a thorough investigation into corruption in the watchdog body could drag in a large number of companies. Yuyang fell Won3,700 to its lower limit of Won5,800 on news that prosecutors had launched an investigation into the company on suspicions that it might have been involved in the alleged bribery. Woore Motor lost Won700 to Won1,500 on rumours that it, too was involved. Against the trend, Hyundai Group shares picked up on expectations that they would benefit from FIFA's decision to allow South Korea to co-host the 2002 World Cup football competition with Japan. SYDNEY locals took their

positions across the board, the All Ordinaries losing 35.9 at 2,280.2 in turnover down from A\$1.2bn to A\$821m. Big banks were softer again, but there was two way action in the sector as National Australia Bank, a 6.1 per cent shareholder in St George, bought 25 per cent of Metway Bank's preference shares. St George had bid for Metway, and analysts thought that the NAB move was a blocking manoeuvre. NAB fell 30 cents to A\$11.45 and Metway by 11 cents to A\$4.60, but St George rose 25 cents to A\$8.45. KUALA LUMPUR's second board stocks plunged on reports of stricter margin financing requirements, imposed by a leading retail broker. The Second Board index skidded 20.07 or 4.6 per cent to 417.53, while the composite index dropped 9.57 to 1,131.50. Analysts said the market was also soured by rumours of speculative funds, which have fed Second Board volumes and prices in recent months, moving to Singapore. BANGKOK continued to sell on political worries and the SET index fell 17.50, or 1.4 per cent to 1,294.11 in turnover of B\$4.81bn. KARACHI registered profit-taking in speculative issues on settlement day, and the KSE-100 index dropped 17.31 to 1,721.95. JAKARTA defied the regional downturn, the more remarkably since it got its initial lift from foreign buying of large, and medium capitalisation issues, followed through by locals buying second-liners in the afternoon. The JKSE composite index rose 7.01 to 624.47 after a high of 629.86. BOMBAY marched 2 per cent higher as investors applauded the appointment of the pro-reform finance minister, Mr Palanigandhi Chidambaram, to the new government. The BSE-30 index rose 74.04 to 3,799.01 as some analysts said that the index could climb now to the 3,810 level. State Bank of India surged Rs20 or 7.1 per cent to Rs301 as it entered a no-delivery period, ahead of its book closure.

Gloomy outlook for Light

São Paulo saw a sharp correction in shares of the former state-owned Light, on the view that speculative buying ahead of the utility's privatisation on May 21 had left the stock overvalued. The shares dropped 13.1 per cent in early trade before creeping back to

S Africa overcomes early dip

recent pounding, on the back of the slide in the rand, seemed to be over and that equities would remain the channel for institutional investment. The overall index was off 0.4 to 6,818.1, industrials shed 0.8 to 7,985 and golds up 5.3 at 2,018.8.

MARKETS IN PERSPECTIVE table with columns: % change in local currency, % change in US \$, % change in UK £. Rows include Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, Malaysia, New Zealand, Singapore, Canada, USA, Mexico, South Africa, WORLD INDEX.

FT/S&P ACTUARIES WORLD INDICES table with columns: NATIONAL AND REGIONAL MARKETS, FT-SE Actuaries World Indices, DOLLAR INDEX. Rows include Australia (70), Austria (20), Belgium (21), Brazil (28), Canada (69), Denmark (20), Finland (23), France (23), Germany (20), Hong Kong (28), Ireland (18), Italy (20), Japan (45), Malaysia (107), Mexico (18), Netherlands (18), New Zealand (15), Norway (25), Spain (44), South Africa (48), Sweden (37), Switzerland (48), Thailand (48), United Kingdom (201), USA (227), Americas (77), Europe (715), Nordic (158), Pacific Basin (231), Euro-Pacific (154), North America (726), Europe Ex. UK (514), Pacific Ex. Japan (257), World Ex. UK (1738), World Ex. UK (1982), The World Index (2353).

ABO FIRST QUARTER 1996 FINANCIAL RESULTS (Reviewed by Ernst & Young, Bahrain). CONSOLIDATED BALANCE SHEET (AT 31 MARCH, 1996) (US\$ million) 31 March 1996 31 March 1995. ASSETS: Liquid funds 270, Marketable securities 2,089, Placements with banks and other financial institutions 6,839, Loans and advances 10,623, Interest receivable 425, Investments in associates 79, Other investments 104, Other assets 274, Premises and equipment 446. LIABILITIES: Deposits from customers 9,675, Deposits from banks and other financial institutions 7,691, Certificates of deposit 239, Interest payable 343, Other liabilities 258, Minority interests 274. TERM NOTES, BONDS AND OTHER TERM FINANCING 1,102. SHAREHOLDERS' FUNDS: Share capital 1,000, Treasury stock (75), Reserves & retained earnings 613, Current period's profit 257. CONSOLIDATED INCOME STATEMENT (3 MONTH PERIOD TO 31 MARCH, 1996) (US\$ million) Jan-Mar 1996 Jan-Mar 1995. INCOME FROM OPERATIONS: Net interest income 97, Other operating income 61. TOTAL INCOME 158. Operating expenses (104). OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS 54. Loan loss provisions (6). PROFIT BEFORE TAXATION AND MINORITY INTERESTS (6). Taxation on foreign operations (11), Minority interests in subsidiaries (8). NET PROFIT FOR THE PERIOD 29.